

## **complaint**

This complaint is about a regular premium mortgage payment protection insurance (“MPPI”) policy taken out in 2001 in conjunction with a mortgage. Mr B (through his representative) says Lloyds TSB Bank Plc mis-sold the policy because he was not made aware of the optional nature of the MPPI; he only purchased MPPI to help with his mortgage application; the interest bearing nature of the policy was not explained to him; the costs of the policy were not explained; the terms and conditions of the policy were not explained; the policy did not cover the full term of the loan; Lloyds TSB failed to take into account his existing occupational cover; and the suitability of the policy was never established.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

The questions I need to consider in a case like this are:

- whether Lloyds TSB gave Mr B information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying;
- whether, in giving any advice or recommendation, Lloyds TSB took adequate steps to ensure that the product it recommended was suitable for his needs.

If there were shortcomings in the way in which Lloyds TSB sold the policy, I then need to consider whether Mr B is worse off as a result; that is, would he have done something different – i.e. not taken out the policy – if there had been no shortcomings.

This is not an easy complaint to decide. There is some documentary evidence available from the time of the sale in 2001, but it is not surprising that this may not be complete. Mr B has also provided his recollections of taking out the MPPI policy and his circumstances at the time, but it seems inevitable that these will have been affected by the passage of time. So, I must carefully weigh up the evidence available to me when reaching my decision.

Mr B purchased a MPPI policy when he applied for a mortgage in 2001. The policy provided a benefit to Mr B and covered him in the event of his being unable to work as a result of disability or becoming unemployed. Mr B increased his borrowing on three occasions over the next couple of years, and on each occasion the policy was updated to reflect the additional borrowing.

It is not in dispute that this complaint involves a sale where Lloyds TSB gave a recommendation to Mr B to purchase the MPPI policy. So it should have taken reasonable steps to recommend a policy that was suitable for him.

Mr B says that he did not know that the policy was optional, and believed he had to take it to assist his application. It is impossible for me to know what, if anything, Mr B was told about the policy when he discussed it with the adviser and I accept it is possible he was told he had to have it to obtain the mortgage. However, having weighed up the available evidence, I cannot safely conclude Mr B was not given an option.

In order to take out the MPPI, Mr B needed to complete and sign a separate application form, which indicates that the policy was not an integral part of the mortgage application. Lloyds TSB has provided a copy of the 'Welcome Pack' which should have been sent to Mr B after the policy had been set up. The covering letter says 'Thank you for taking out Payment Protection Plus Insurance'. The letter then explains that if the PPI cover is no longer required '...please contact us within 30 days...we will then refund any premiums you have paid as long as you haven't made a claim'.

This evidence suggests to me that the policy was not compulsory. So, having weighed up the evidence and arguments from both parties, I cannot safely conclude Mr B was told he had to have the policy or that taking the policy would assist his mortgage application and the granting of credit. It seems just as likely he was advised that he should have the policy (rather than *must*) and opted to take it out based on the information provided to him.

Mr B's mortgage represented a significant debt and there would be serious implications for him and his three dependents if he was unable to make the mortgage repayments. It is reasonable to think someone in this situation would want to make sure they were protected, if they faced the unfortunate situation of being unable to work for an extended period of time.

At the time of the sale, Mr B met the eligibility criteria in terms of age, residency in the UK, working more than 16 hours a week, and residing in the property. He told us he was in good health and his circumstances do not suggest he would have been caught by any of the significant limitations and exclusions contained within the policy relating to employment or health that could limit the value of the policy in the event of a claim.

Mr B says that he would have received up to eight weeks full pay from his employers followed by statutory sick pay if he were unable to work due to accident or sickness. He also told us that he had no further policies or savings that he could rely upon in the event that he was unable to work. And in my view the absence of any savings or other insurance policies, combined with the limited occupational benefits, did not make the recommendation of this policy unsuitable.

The policy paid a benefit for a maximum of 12 months, in addition to any occupational sick pay, removing the worry of the mortgage and leaving any other income free to maintain his lifestyle and potentially to cope with any additional/unexpected costs that might come with illness or injury. So, even if Lloyds TSB was made aware of any existing provision, I do not feel it would have been inappropriate of it to recommend a policy that would have ensured Mr B was able to meet his mortgage repayments in the event that he was unable to work as a result of accident, sickness or unemployment.

I have also considered the information Mr B was provided with about the policy. I understand he should have been sent a policy schedule and policy document but I do not know if the information these contained would have been clear to him. However, for the same reasons as set out above, it does not appear that further information about any of the significant exclusions or limitations of the policy would have affected his decision to take it out.

Mr B says that he tried to claim on the policy on three occasions, but that he was told that there was a deferred period before a claim could be paid and that, because of this, he cancelled his policy. I have reviewed the policy terms and conditions and these do confirm that there was a 60 day waiting period that would apply prior to a claim being paid. These terms are not, however, onerous and in themselves do not mean that the policy was mis-sold.

Whilst I sympathise with Mr B that shortly after cancelling his policy he was made redundant, and had he not cancelled the policy, he may have been able to claim successfully on the MPPI, this is no basis for claiming that the policy was mis-sold.

The cost of the policy was initially £16.00 per month, but it increased to £45.00 per month as the level of borrowing increased. And I have seen examples of a policy schedule that was issued and these set out the cost of the monthly premium.

I do not know if these costs would have been clear to Mr B when deciding whether to take out the policy. But it seems to me that someone with his existing cover might have thought it provided valuable protection. And the cost does not appear to be unaffordable for someone in his circumstances. So I think it unlikely he would have decided against taking out the policy if he had better understood the costs of it.

Mr B's representative has also complained that the interest-bearing nature of the policy was not explained; and that the policy did not cover the full term of the loan. As a regular monthly policy, there was no interest bearing element to it, and because the policy was paid for on a month by month basis it could be cancelled at any time. Finally, the monthly nature of the policy means that the policy would be renewed for as long as the customer required and could certainly run for the full term of the mortgage.

As a result, for the reasons set out above, I cannot safely conclude Mr B was not aware of the optional nature of this policy, and I am satisfied it would not have been inappropriate of Lloyds TSB to recommend it to him. And I do not believe he would have decided against taking it out if he had been provided with clearer information about it.

#### **final decision**

My final decision is that I do not uphold this complaint and make no award against Lloyds TSB Bank Plc.

Andrew Macnamara  
**Ombudsman**