

complaint

Mrs T says she was mis-sold a regular premium payment protection insurance (PPI) policy by Lloyds Bank PLC (Lloyds).

background

Mrs T applied for a credit card in 1996, and at the same time bought a regular premium PPI policy. The policy cost 71p per every £100 of the outstanding monthly balance on her credit card.

This policy covered Mrs T in the event of accident, sickness or unemployment, and in the event of a successful claim would've paid 10% of the outstanding last statement balance. And it would have done so for up to 12 months per claim.

Our adjudicator didn't think Mrs T's complaint should be upheld because he thought she made it clear in her credit card application she wanted to take out the policy and thought it would've provided a useful benefit.

Mrs T disagreed. She says she didn't know the policy was optional and didn't need it.

So the complaint has come to me for a decision.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about the sale of PPI on our website and I've taken this into account in deciding this case.

I've decided not to uphold Mrs T's complaint.

Lloyds had to make it clear Mrs T had a choice in taking the policy. Lloyds have given me a copy of Mrs T's credit agreement. I can see that there's a separate section on the application form that deals with PPI titled "TSB Credit Card Payments Insurance". Within the section it recommends taking the insurance and gives a brief description of the benefits and cost and gives the option to select PPI with a tick next to the words "I wish to apply for TSB Credit Card Payments Insurance". I can see on Mrs T's application form a tick has been placed next to this.

I think there is enough there for Mrs T to understand she didn't need to take PPI because she could've just left the section blank. So I think Mrs T selected to take PPI with a tick because she wanted the cover.

To be fair to Mrs T I am treating the sale of PPI as if it was an advised sale. What this means is that Lloyds not only had to provide information about PPI in a clear, fair and not misleading way so that Mrs T could make an informed choice about buying PPI. It also had to make sure that if it were to recommend PPI that the policy was suitable to her needs and circumstances.

I don't know if Lloyds did take all the steps it should've. But from what I know about the policies Lloyds sold at the time I think the policy was a suitable recommendation for Mrs T for the following reasons:

- She was eligible for the policy and it doesn't look like she would've been caught by any of the main exclusions in the terms and conditions of the policy which could've made it difficult to make a successful claim.
- Mrs T says she would've been entitled to a generous level of sick pay but had no other means of making her credit card payments if she couldn't work. But the policy would've paid out on top of any work benefits and for potentially longer covering her credit card payments for up to 12 months if she was unable to work due to accident or sickness or lost her job. So I think the policy would've provided a useful benefit to Mrs T in her circumstances.
- There was nothing to suggest that the policy wasn't affordable to her at the time and if she decided she no longer wanted the policy she could've cancelled it.

I also need to consider whether Lloyds gave Mrs T information in a way which was clear, fair and not misleading so that she could make a proper choice about whether or not she wanted to take the policy out. I don't know if Lloyds did give all of the information as it should've.

But for the same reasons that the policy was suitable and based on what Mrs T has told us about her circumstances at the time, I think she would've still taken out the PPI policy if she'd been given all the proper information on the policy.

Which means Lloyds doesn't have to pay back all of the cost of the PPI to Mrs T.

But Lloyds has paid back *some* of the cost of the PPI to Mrs T because:

- When the policy was sold, Lloyds expected to get a high level of commission and profit share (more than 50% of the PPI premium) - so it should have told Mrs T about that. Because Lloyds didn't tell Mrs T, that was unfair.
- To put that right, Lloyds has paid back the amount of commission and profit share that was above 50% of the PPI premium - and I think that is fair in this case.

my final decision

The PPI policy wasn't mis-sold – so Lloyds Bank PLC does not have to pay back all of the cost of the PPI to Mrs T.

But Lloyds Bank PLC does have to pay back to Mrs T any commission and profit share it got that was more than 50% of the PPI premium. I understand it has already done this, so I don't award any further compensation.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs T to accept or reject my decision before 6 April 2019.

Caroline Davies
ombudsman