complaint

Mr H says Lloyds Bank PLC (Lloyds) mis-sold him a credit card payment protection insurance (“PPI”) policy.

my findings

I’ve considered all the available evidence and arguments to decide what’s 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 Mr H’s case.

I’ve decided the policy wasn’t mis-sold. I’ll explain why.

Mr H and Lloyds don’t agree about when the policy was sold.

Lloyds says that the policy was sold when Mr H’s account was first opened. It has sent us copies of its internal records showing that the credit card account was opened in October 1980 and that the PPI started at the same time.

Mr H says he thinks the policy was added to his account much more recently, in 2010. He also thinks it was sold to the additional card holder on the account rather than to him.

Lloyds has sent us some copy account statements going back to 2000 which show PPI being charged to the account. So the PPI must have been added to the account before this. This is before the additional card holder was added to the account and a number of years before Mr H thought it was sold.

Based on the limited information that is available, I think it’s likely the PPI was added to Mr H’s account when he opened it in 1980.

There’s no paperwork to show how the PPI was sold to Mr H and a copy of his credit card application is no longer available. I don’t think this is unreasonable given how long ago this all took place and I wouldn’t expect Mr H or Lloyds to have kept this. And it’s not surprising that Mr H doesn’t have any clear memories of the sale.

Where there’s only limited information and it’s unclear what happened I have to look at everything and decide what I think is most likely. And I haven’t seen enough information to be able to say Lloyds failed to make Mr H aware that PPI was optional or that he didn’t choose to take it out.

While there is limited information available from the time, Lloyds has said it thinks it likely recommended the policy to Mr H. So it would’ve had to check whether it was right for him. And based on what he has told us about his circumstances at the time, I think it likely was.

A copy of the terms of the policy is no longer available. So I’ve had to look at what we know about similar policies and what the terms were likely to have said. And assuming the policy is similar to ones we’ve seen, Mr H seems likely to have been eligible for it. It also looks like he wouldn’t have been affected by any of the main things it’s likely the policy didn’t cover.

Mr H has said he would've received some sick pay from his employer at the time if he was unable to work. But this would've been limited to the government conditions at the time. The policy would've paid out in addition to any existing sick pay and allowed this to be used to cover other outgoings. It also could've paid out in the event he lost his job unexpectedly.

So based on the information available Mr H seems to have had a need for the cover and it looks like it would've been useful to him.

It's possible the information Lloyds gave Mr H about the PPI wasn't as clear as it should've been. But for the same reasons I think it would've been useful to him, I don't think better information would've stopped him buying it.

So overall I don't think the policy was mis-sold to Mr H. Which means Lloyds doesn't have to pay back all of the cost of the PPI to Mr H.

But Lloyds will pay back *some* of the cost of the PPI to Mr H 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 Mr H about that. Because Lloyds didn't tell Mr H, that was unfair.

- To put that right, Lloyds has basically offered to pay back the amount of commission and profit share that was above 50% of the PPI premium - and I think that offer is fair in this case.

what the business needs to do

Lloyds has to pay back to Mr H any commission and profit share it got that was more than 50% of the PPI premium. Lloyds should also pay back to Mr H any extra interest he paid because of that.

Lloyds should re-work the credit card account and pay back to Mr H the difference between what he owes and what he would've owed if the commission and profit share it got hadn't been over 50% of the cost of the PPI. Lloyds should also pay Mr H 8%* simple interest (15% before April 1993) if Mr H paid off his credit card at some point.

*Businesses have to take basic rate tax off this interest. Mr H can claim back the tax if he doesn't pay tax.

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 Mr H.

But Lloyds Bank PLC does have to pay back to Mr H any commission and profit share it got that was more than 50% of the PPI premium.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr H to accept or reject my decision before 22 March 2018.

Ben Stoker
ombudsman