

The complaint

Mr B, on behalf of himself and the late Mrs B, has complained that Lloyds Bank PLC mis-sold him a mortgage payment protection insurance (PPI) policy.

What happened

Mr B took out the PPI at the same time as arranging the mortgage in 1996 (with the mortgage and PPI going live in January 1997). Although it was a joint mortgage, the PPI was set up just to cover Mr B.

Our adjudicator didn't uphold the complaint. Mr B disagrees with the adjudicator's opinion and so the complaint has been passed to me for a decision.

What I've decided – and why

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 this case.

I've decided not to uphold Mr B's complaint and I'll explain why.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on a balance of probabilities – that is, what is considered most likely to have happened given the evidence that is available to me, and the wider surrounding circumstances.

Mr B has said that the mortgage was presented as a condition of the mortgage and that effectively he had no option but to agree to it if he wanted the mortgage borrowing to be agreed.

In considering the complaint I've thought about how long ago the sale was. Mr B does seem to have a recollection about some of the discussion that took place at the time of the sale. However, he's also talked about not wanting the policy because it had a long deferral period and recalls that it would pay out a lump sum for loss or loss of use of particular body parts. The type of policy Mr B is talking about is a critical illness policy and he has said that he recalls it being called something like a critical illness plan and has named the underwriter.

However, the PPI policy sold by Lloyds was called 'Mortgagesure' and provided cover for accident, sickness and unemployment but not critical illness. The policy did have deferral periods in the sense that a policyholder had to be off sick for 30 days before making a claim or have been unemployed for 60 days before making a claim. However, at that point the payment benefit would be backdated to day 1 of the sickness or unemployment period. Also, the underwriter was different from the one Mr B has mentioned.

Therefore, it's possible that Mr B's recollection is about the sale of a different policy rather than the PPI. Given the passage of time, it wouldn't be surprising if Mr B's memory of events has faded.

Lloyds has provided a copy of the mortgage application form, although it is difficult to read in places. There was a separate section for PPI which has been filled in. It seems likely that there was some discussion about taking out PPI as part of the wider mortgage interview. It's possible that the adviser told Mr B that it would be a good idea for him to have the policy, rather than that he must have it. This is a subtle difference which it's possible that Mr B has misremembered after all this time.

From what we know of Lloyds' branch sales process at the time, the PPI was usually presented as optional. I haven't seen any evidence to persuade me that something different happened in this case. I've thought very carefully about what Mr B has said but, overall, I'm unable to conclude that Mr B wasn't given a choice about taking out PPI. I find it equally as likely that he decided to buy it, knowing that he didn't have to, even if he no longer remembers doing so.

This was an advised sale, meaning that Lloyds recommended that Mr B should buy the policy. In doing so, Lloyds needed to ensure that the policy met his needs. And from what I know of Mr B's circumstances at the time, the PPI was suitable for him.

Although Mr B was self-employed, the unemployment terms of the policy are not particularly onerous towards the self-employed and it would have been no more difficult for him to make a claim for unemployment than an employed person.

Mr B says that he didn't need the policy because, in the event of being unable to work, he could have rented out rooms, or moved into his mother's flat and rented out the entire upstairs flat, or even downsized to a smaller property. He's also said that he could have sold some assets, such as his vintage motorcycles and that his siblings would have helped him. But having the policy would have avoided him having to immediately take such drastic action or ask his family for money.

Lloyds also had to provide Mr B with sufficient information for him to be able to make an informed choice about whether or not the policy was right for him. I think that Mr B must have known something about the policy – that it would cover his mortgage repayments if he was unable to work due to accident, sickness or unemployment – because I don't think he'd have decided to buy it without knowing anything at all about it.

The £14.39 cost of the policy is stated on the mortgage offer. Whilst this is after the time that Mr B agreed to the policy, it is before the policy went live in January 1997. So I'm satisfied that Mr B would have been aware of the cost.

It's possible that Lloyds could have provided more information about the policy, such as the things that it didn't cover. But Mr B wasn't affected by any of those things. For example, he did not have a pre-existing medical condition that might have limited his ability to claim under the policy.

As I consider that Mr B had an interest in the policy and decided to buy it, I don't think that more information would have caused Mr B to change his mind about buying it. So he is no worse off as a result of anything Lloyds may have done wrong, so there is nothing that Lloyds needs to do to put things right.

My final decision

My decision is that I do not uphold Mr B and the estate of the late Mrs B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and the estate of Mrs B to accept or reject my decision before 31 March 2022.

Carole Clark
Ombudsman