complaint

Mr and Mrs J complain that Lloyds Bank PLC, when it was trading as Cheltenham & Gloucester, mis-sold them a mortgage payment protection insurance ("PPI") policy.

Lloyds merged with the business that sold PPI to Mr and Mrs J and it is responsible for dealing with this complaint. So from now on I'll just refer in my decision to 'Lloyds'.

background

This complaint is about a PPI policy taken out on a mortgage account that started in 1997 and also a later policy taken out with a further advance in 1999.

Lloyds couldn't provide any paperwork to show how or exactly when the PPI they had on their mortgage account was sold to Mr and Mrs J.

Our adjudicator didn't uphold the complaint. Mr and Mrs J disagreed with the adjudicator's opinion.

Mr and Mrs J mainly say they were never told about the PPI and never given any paperwork. Mr and Mrs J also told us that they had no need for PPI.

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 this case.

I've decided not to uphold Mr and Mrs J's complaint.

I've made some reasonable assumptions about the PPI. It's unclear who had the benefit of the policy. So I've approached the complaint on the basis that Mr and Mrs J were both covered. Looking at things this way gives their complaint the best chance of success. Given the limited information that's available, I think that's fair in the circumstances.

what happened in 1997

I've taken carefully into account everything Mr and Mrs J have told me. I appreciate that they're certain about everything they've said. But it wouldn't be reasonable to expect them to recall exactly what was discussed so long ago when they took out their mortgage and the PPI. So what they say isn't enough on its own for me to be able to uphold their mis-sale complaint. I have to look at all the available information and the wider circumstances before deciding what I think is most likely.

I can't know precisely what was said when Mr and Mrs J took out the PPI. But their mortgage was a major financial commitment, due to run for a long period of time. Mr and Mrs J's home would've been at risk if the mortgage payments weren't kept up to date. PPI provided a dependable means of ensuring their monthly mortgage repayments were protected even if they couldn't work. And the policy offered them better protection than they had otherwise. As they were both in paid work when they took out the mortgage I think having PPI would've given Mr and Mrs J peace of mind that they could keep up the monthly repayments even if one (or both of them) couldn't work. So, I can see why Mr and Mrs J might've felt PPI was useful.

It's completely understandable if Mr and Mrs J have now forgotten some details from so long ago. But, on balance, I think it's likely that Mr and Mrs J decided they wanted to protect their home by taking out the PPI offered and they chose to buy the policy alongside their mortgage.

Given the lack of paperwork showing how Lloyds sold the PPI to Mr and Mrs J, I think the fairest way to look at this complaint is to assess it on the basis that Lloyds recommended PPI to Mr and Mrs J. If a business makes a recommendation about PPI, it doesn't *just* have to give important policy information in a clear way. It *also* has to take reasonable steps to make sure the cover it recommends is suitable.

Mr J told us he was entitled to at least 12 months sick pay. And Mrs J remembered having full sick pay, although she wasn't able to say how much that would've been. But this doesn't mean that PPI was unsuitable for Mr and Mrs J.

The policy would've covered them for accident or sickness for up to 12 months each time they made a successful claim under this part of the policy. It would've paid out an amount that covered their mortgage monthly repayments, plus some extra, on top of sick pay they received from work. This could've been a useful benefit at what's likely to have been a difficult time if they had extra costs as a result of illness or disability.

As well as this, the policy also paid out for up to 12 months per claim in the event of unexpected unemployment.

Repeat claims were possible providing Mr and Mrs J with long term protection whilst they were paying for their home. So I think PPI offered Mr and Mrs J better cover than they would've had if they'd just depended on their work benefits.

I've taken into account that Mr and Mrs J had a small amount of savings. But there was no guarantee when Mr and Mrs J took out this mortgage that they would always have savings to rely on.

I think it unlikely that selling their car or a motorcycle would've been enough to pay the mortgage for very long – bearing in mind it was a financial commitment they were expecting to have to pay for many years. And relying on someone else to help out in the event of money problems isn't as dependable as taking out PPI as everyone's circumstances can change unexpectedly.

So, I think PPI was suitable for Mr and Mrs J, even taking into account their excellent work benefits and the other means they told us they could've relied on.

It's possible some of the information Lloyds gave Mr and Mrs J about the PPI wasn't as clear as it should've been. But it doesn't look like they were affected by any of the main conditions that might've limited the policy's benefit to them. So, even if these weren't mentioned, I don't think that knowing more about things the policy didn't cover would've made any difference to Mr and Mrs J's decision to have PPI.

They were both eligible for the policy. I don't know if the PPI cost was made clear to Mr and Mrs J when they bought the policy. But, from what I've seen, it doesn't appear to have been unaffordable for them when they took it out.

Overall, it's possible there may have been some failings in the way this policy was sold. But I think Mr and Mrs J still would've decided to buy the policy when they took out their mortgage, even if they'd been better informed, as it gave them worthwhile protection in their particular situation. I don't think better information would've put them off buying PPI given the benefits it offered them.

what happened in 1999

PPI wasn't extended automatically when Mr and Mrs J arranged their further advance. They would've had to apply for more PPI and agree the extra cost of the additional cover if they wanted the PPI benefits to cover their increased borrowing. And I can understand why they might've wanted to do this at the time – even if they've forgotten this now. As far as I can see their circumstances were broadly the same. The new policy gave Mr and Mrs J the same benefits and it provided them with the long term protection they already had set up for their original mortgage.

Mr and Mrs J continued to be able to take advantage of all the benefits under the policy. And there's nothing to suggest that the extra cost of paying for this additional PPI was a problem for them.

Taking all their circumstances into account, even if there were failings in the way Lloyds sold them this PPI, I don't think that better information would've put Mr and Mrs J off having it.

So, looked at overall, I don't find that Mr and Mrs J are worse off as a result of anything that Lloyds did wrong. So it doesn't need to do anything to put things right.

In coming to my decision I've thought carefully about everything that Mr and Mrs J told us, including the comments made in response to our adjudicator's view and the fact that Mr J didn't claim on the policy when he was off work as a result of serious illness.

Not making a claim on the insurance when he was unable to work doesn't mean it was mis-sold. So this information doesn't affect my decision. But Mr J may wish to approach the insurer to see if it would be prepared to accept and consider a retrospective claim. If he does so and finds that he has concerns in this regard, then he should first tell the insurer why he's unhappy. And if he's unable to reach a satisfactory conclusion, he may be able to bring a complaint relating to the retrospective claim to this Service as a separate matter.

my final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs J to accept or reject my decision before 6 September 2019.

Susan Webb
ombudsman