Financial Ombudsman Service

complaint

Mr D complains that he was mis-sold a payment protection insurance (PPI) policy when he took out a personal loan with Lloyds Bank PLC.

background

Mr D took out a personal loan for £1500 with Lloyds Bank PLC (Lloyds). At the same time, he was sold a (PPI) policy which was to run, alongside the loan for 30 months.

The PPI policy sold was a single premium policy, which means that it was added to the cost of the loan at the outset and repaid with interest over the term of the loan.

The policy cost £216.55 before interest and, in the event of a successful claim, would pay the monthly premiums due on the loan for up to 12 months if Mr D became involuntarily unemployed, or until he returned to work if he was unable to work through accident or sickness. It would also pay the outstanding balance due on the loan in the unfortunate event of his death.

Mr D complained that he was mis-sold the policy.

I issued a provisional decision in May 2015, where I upheld Mr D's complaint. That decision is attached and forms part of this final decision.

my findings

I have reconsidered 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 coming to a final decision on Mr D's case.

In my provisional decision I made findings that although Lloyds had made it sufficiently clear to Mr D that he had a choice about whether to take the policy, they did not do enough to make sure Mr D understood what it would cost. And that, if the advisor had properly taken into account the cost of the policy, along with Mr D's personal circumstances, then they wouldn't have recommended it to him as being a suitable product.

Mr D and Lloyds were invited to make any further submissions to me by 8 June 2015.

Neither Party have made any further submissions, and I have not been provided with any further information which would lead me to depart from my provisional findings.

Therefore, for the reasons set out in my provisional decision, I uphold the complaint against Lloyds.

fair compensation

Mr D borrowed extra to pay for the PPI, so his loan was bigger than it should've been and he paid more than he should've each month. So Mr D needs to get back the extra he's paid.

So, Lloyds should:

- Work out and pay Mr D the difference between what he paid each month on the loan and what he would've paid each month without PPI.
- Add simple interest to the extra amount Mr D paid each month from when he paid it until he gets it back. The rate of interest is 8% a year†.
- If Mr D made a successful claim under the PPI policy, Lloyds can take off what he got for the claim from the amount it owes him.

† HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Mr D a certificate showing how much tax it's taken off if he asks for one.

my final decision

My final decision is to uphold the complaint for the reasons I have set out above and in my provisional decision and to order Lloyds Bank plc to pay the compensation described.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr D to accept or reject my decision before 10 July 2015.

Sarah Partridge-Smith
ombudsman