Financial Ombudsman Service

complaint

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

background

This complaint is about a single premium PPI policy taken out in June 2003. Mr M took out the policy during a meeting with the bank when arranging a personal loan. Mr M says the loan was for a combination of refinancing and home improvements. The personal loan and the loan to cover the cost of the PPI were both to be repaid over 60 months.

Mr M says that the salesman persuaded him to take the PPI, that the overall cost wasn’t explained to him and that he didn’t need it due to the security of his employment.

Our adjudicator upheld the complaint because she didn’t think that Lloyds explained the cost of the PPI clearly enough to Mr M.

Lloyds hasn’t provided any comments in response to the adjudicator’s opinion.

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 Mr M’s case.

Lloyds accepts it advised Mr M to buy the PPI policy and so it had a responsibility to consider whether the policy was suitable for him. Lloyds was also required to provide Mr M with enough information about the PPI to allow him to make an informed decision on the policy. It was also required to highlight the main terms and conditions of the policy which could have affected him.

Lloyds had a responsibility to make sure that the cost of the PPI was set out in detail for Mr M including the total amount of interest on the loan to pay the premium and the monthly repayments. Based on the information available I don’t think that Lloyds provided enough detail for Mr M to fully understand the cost of the PPI.

I say this because the loan agreement didn’t show the interest that would be charged on the loan provided to pay the insurance. So Mr M wouldn’t have known the total cost of the policy to him. I think this would have mattered to Mr M because the premium of £2121.24 charged for the PPI was over 20% of the primary loan and the interest charged on the PPI loan of £553.14 increased the overall cost of the policy by 26%.

I think this would have mattered to Mr M and that if he had been aware of the full cost at the time he applied for the cover he might have looked for cheaper alternatives.

I think Mr M has lost out as a result of Lloyd’s failings in this case, because I don’t think he would have taken out the policy if he’d been properly advised and informed.

what the business should do to put things right

Mr M 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 M needs to get back the extra he's paid.

So, Lloyds should:

- Work out and pay Mr M 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 M paid each month from when he paid it until he gets it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on†.
- If Mr M 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 M a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons set out above, I uphold Mr M's complaint.

I require Lloyds Bank PLC to pay Mr M compensation in accordance with the calculation of redress set out above.

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

John Thornton
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