DRN-4245146

The complaint

The estate of the late Mrs F has complained that Lloyds Bank PLC mis-sold a mortgage payment protection insurance (PPI) policy in 1992.

The estate of Mrs F is being representing in making this complaint by her son, Mr F, so for ease, I will sometimes just be referring to Mr F in this decision.

What happened

Mrs F was sold the PPI in a branch meeting at the same time as arranging the mortgage. Although Mrs F was married and living with her husband, the mortgage was taken out just by her.

Mrs F first complained about the policy being mis-sold in 2017 but at that time Lloyds could not locate a PPI policy associated with the mortgage.

Our adjudicator didn't uphold the complaint. Mr F 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.

Lloyds has very little paperwork available from the time of the sale. All it has been able to provide is the mortgage application form and the subsequent mortgage offer letter. I take Mr F's point that Lloyds might have been able to provide more documents if it had located Mrs F's policy at the first time of asking in 2017.

Where the evidence is incomplete (as it is here), inconclusive or contradictory, I reach my decision based on the evidence that we do have and what I consider is most likely to have happened.

I've decided not to uphold the complaint and I'll explain why.

Mrs F could not recall having a PPI policy and had only made a complaint about it in 2017 at her husband's insistence. She said in the complaint form she sent to Lloyds at that time that she was not aware that she had taken out PPI. As such, she thought that it had been added without her knowledge or consent.

From what we know of Lloyds' sales process at the time, the PPI would normally have been presented as optional and I haven't seen anything that would lead me to conclude that something different happened in this particular case.

I have no doubt that Mrs F provided her genuine recollection of events in 2017. But the sale was a long time ago and so it's possible that Mrs F's memory had faded.

For his part, Mr F's personal view is that Lloyds probably 'suggested' that the PPI would assist with the mortgage being approved. But this rather goes against his mother's account that she wasn't aware of the policy at all. And again, I haven't seen anything that would lead me to that conclusion.

Based on the available evidence, I consider it more likely than not that Mrs F would have known that she had a choice about taking out the policy. It seems to me that she probably decided to buy it, knowing that she didn't have to, even if she could no longer remember doing so.

This was an advised sale. Which means that, in recommending the policy to Mrs F, Lloyds needed to ensure that it met her needs. And from what I know of her circumstances at the time, the policy was suitable for her.

Mrs F would have received some sick pay from her job. But the policy would have paid out in addition to any sick pay and potentially for longer than Mrs F would have received full pay for.

Mrs F had £3,000 in savings at the time. But having the policy would have allowed her to retain any savings or use them to cover other outgoings.

Her husband was working full time and was also receiving some pension income. I've thought very carefully about this point, particularly as Mrs F was able to get the mortgage based solely on her income. However, on balance, I'm not persuaded that her husband's income made the policy unsuitable. It could still have provided a useful benefit at what would have been a difficult time.

Mr F says the policy didn't meet his mother's needs because she had taken out an endowment mortgage. The policy benefit was £254.13 per month. I've seen from the offer letter that the mortgage repayments were expected to be £201.38. So, in the event of a successful claim, the policy would have done what it was designed to and covered the mortgage repayments.

Mr F also says that a policy that only pays out for 12 months is not value for money. But the policy would pay out a maximum of 12 months per claim and it was possible to make multiple claims during the life of the PPI.

Lloyds also had to provide Mrs F with sufficient information for her to make an informed choice about whether the policy was right for her. That duty only included providing information about the PPI it was offering. It did not have to signpost her to other products available on the open market.

I think that Mrs F would have known something about the policy – that it would cover the mortgage repayments if she was unable to work due to accident, sickness or unemployment – because I doubt she'd have bought the PPI without knowing anything at all about it.

It's possible that Lloyds didn't provide as much information as it should have about the policy, particularly about the things that it didn't cover. But Mrs F wasn't affected by any of those things. For example, she didn't have a pre-existing medical condition that would have been excluded under the policy terms. As I consider that Mrs F had an interest in the policy and decided to buy it, I don't think that further information would have caused her to change her mind. So, she was no worse off as a result of anything Lloyds may have done wrong. This means that Lloyds doesn't have to pay back all of the cost of the PPI to the estate of Mrs F. But Lloyds has paid back *some* of the cost of the PPI 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 Mrs F about that. Because it didn't tell her, that was unfair.

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

My final decision

My final decision is that the PPI was not mis-sold – Lloyds Bank PLC does not have to pay back all of the cost of the PPI to the estate of Mrs F.

But Lloyds Bank PLC does have to pay back to the estate of Mrs F any commission and profit share it got that was more than 50% of the PPI premium. As it has already paid this, I do not require it to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Mrs F to accept or reject my decision before 16 August 2023.

Carole Clark
Ombudsman