

The complaint

Mr H has complained that Lloyds Bank General Insurance Limited required him to step down as a director of his company before agreeing to settle two claims for unemployment that he made on a mortgage payment protection insurance (PPI) policy.

What happened

Mr H made two claims for unemployment during 2021-22 which were ultimately accepted by Lloyds and Mr H received the appropriate claims payments. As part of the information gathering process for the claims, Lloyds required evidence that Mr H had resigned his directorship of the limited company he had been made redundant from. Mr H is unhappy because he considers that Lloyds was acting outside of the policy terms in making that request.

Our adjudicator thought that Lloyds had acted reasonably in asking for the information as part of assessing the claims. Mr H disagrees with the adjudicator's opinion and so the claim 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.

With regard to an unemployment claim, part of the policy terms state that you will only be covered if:

'you are self-employed and you own your own company as a sole trader or partner in a partnership and are able to control the affairs of the company, you have involuntarily ceased trading because you could not find enough work to meet all your reasonable business and living expenses and have declared this to HM Revenues and Customs.'

Mr H feels that Lloyds has redefined the meaning of partnership to include limited companies. He thinks it should stick to the policy wording and allow him to remain a director of the company.

The meaning of 'Partnership' isn't defined further within the policy. Lloyds says it considers it to mean a formal arrangement by two or more parties to manage and operate a business and share profits. And as a director, Mr H was in a position to control the affairs of the company.

The intention of the policy is to provide cover when someone loses their job involuntarily. Lloyds is entitled to take reasonable steps to establish whether that is the case.

Mr H's situation was slightly unusual. He was a director of a company in which he held an equal fourth share with three other family members. Rather than the company ceasing to trade, it was continuing to operate, with Mr H being made redundant but with his directorship still active.

Given this, I consider Lloyds was entitled to satisfy itself that Mr H was fully without work and that the circumstances of him parting ways with his employer fell within the definition of being involuntarily unemployed. As such, it was reasonable for Lloyds to exercise another clause within the policy relating to evidence.

Under the heading: 'Providing evidence when you claim', it states:

'You will be required to provide any information or evidence from third parties, including your doctor or employer, that we might reasonably ask for. Without this information, your claim may not be paid.'

I've thought carefully about what Mr H has said, particularly about the inconvenience of his accountant having to remove him and then reinstate him as a company director. But overall, given the particular circumstances of this case, I think it was reasonable for Lloyds to request extra evidence to establish Mr H unemployment. On balance, I think it was fair and reasonable of Lloyds to ask for evidence that he was no longer a director and to provide supporting letters from his accountant.

It follows that I do not uphold the complaint.

I'll now take the opportunity to address another couple of point that Mr H has made.

He has said that the PPI wasn't suitable for him as he was already a company director when he bought the policy, therefore it was mis-sold. However, Mr H had previously made a complaint about the policy being mis-sold and he received a final response letter from the seller in February 2018 that didn't uphold his complaint. I wrote a jurisdiction decision in April 2023 explained that, as Mr H hadn't referred his decision to this service within six months, we unfortunately didn't have the powers to consider it.

Mr H has also mentioned that Lloyds made late payments to his mortgage account that have impacted his credit history. I've seen a final response letter from Lloyds dated 18 August 2022 that addresses this issue. Lloyds agreed that there had been a late payment and paid Mr H £75 compensation for the delay. But it said it had flagged with the mortgage team that as he was currently in claim, it would be covering the mortgage payments. Therefore, he shouldn't be impacted whilst in claim.

I haven't seen any evidence that Mr H's credit file has been adversely affected. If that is the case, he would need to contact his lender first to give it the opportunity to correct it. If it doesn't do so, he can then make a further complaint about that issue.

My final decision

For the reasons set out above, I do not uphold Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 20 October 2023.

Carole Clark
Ombudsman