

The complaint

Mr B and Ms S have complained that Lloyds Bank PLC mis-sold them a mortgage payment protection insurance (PPI) policy.

What happened

Mr B and Ms S were sold the PPI when they arranged to re-mortgage to Lloyds in 1998.

Our adjudicator didn't uphold the complaint. Mr B and Ms S disagree 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.

The Financial Ombudsman Service was established to be a quick and informal service. This doesn't mean we apply any less rigour or care in reaching our decisions. However, it does mean that we might not address each and every point in the way that Mr B and Ms S might wish. So I intend to stick to the crux of the matter of whether or not the PPI was mis-sold. But I would like to reassure them that, whilst I might not address every point that they have raised, I have read and considered everything that they have sent in.

Mr B and Ms S took out their mortgage with a building society owned by Lloyds. Therefore, this complaint is set up against Lloyds as the correct legal entity. So, although I refer to Lloyds in this decision, I am essentially talking about the building society that sold the PPI.

Mr B and Ms S have mentioned the lack of evidence in some aspects of this case and feel that the adjudicator has made certain assumptions, preferring those over actual proof.

It is the case that some documents are missing. Given how long ago the sale happened, it's not surprising that Lloyds hasn't retained all the paperwork and we wouldn't expect it to.

Where the information is incomplete or inconclusive, as in this case, I reach my decision based on the evidence that we do have, as well as what I consider is most likely to have happened in the circumstances.

Mr B and Ms S say they didn't know they had PPI, meaning that it was added without their knowledge or consent.

They said in their complaint form that PPI is not something that they would consider. But from the evidence I've seen, I can see that they were at least considering taking out PPI at the time of the re-mortgage.

The mortgage application form has a section for PPI with a statement saying: *'I have received information about the (building society) Payment Protection Plus. I wish to apply for*

cover and have completed the relevant proposal form'. The box next to this statement has been ticked and Mr B and Ms S both signed the form on 5 October 1998.

Lloyds sent them a letter on 15 October 1998 asking them to complete and return some additional documents.

One of these was a Budget Analysis form. I can see that this form was subsequently returned, having been signed by Ms S. The form required them to list out their approximate ongoing monthly expenses. '£50' has been handwritten in next to the box for '*payment protection/income insurance*'. This suggests to me that there must have been some discussion about the PPI and its estimated cost and that Mr B and Ms S then most likely decided to go ahead and buy it and factor it into their expenditure.

Lloyds internal Loan Assessment form dated 28 October 1998 confirms that PPI had been sold to them during the mortgage application process.

The welcome letter sent to them on 10 December 1998, sets out the monthly insurance premium as £65.23. When you look at the Budget Analysis form, the cost of the buildings/contents insurance is estimated at £12.75. So it seems to me that the cost of £65.23 is the combined total of PPI and other insurances that Mr B and Ms S bought (I wouldn't expect it to tally exactly as initially they would have been given a loose estimate with the costs only being firmed up once the mortgage had been accepted).

I accept that the PPI was not set out separately at this point. But I think it's likely that Mr B and Ms S would have known the figure on the welcome letter was a combined amount for all insurances they had bought – because I might have expected them to challenge the amount if it was a lot more than they were expecting to pay.

Mr B and Ms S have provided a copy of a blank PPI application form, which they say proves that they didn't return it. I've thought very carefully about this point. On balance, I'm not persuaded it is enough to conclude that they didn't complete the application process. It's possible they were given duplicate forms. And I can't see a date on the form, so it's unclear whether it stems from 1998 or whether it was provided at a different time, perhaps when they took out further borrowing (where we know they didn't buy PPI on those occasions).

Ms S says she was made redundant from her job but didn't claim on the policy, showing that she didn't know she had it. I don't know the circumstances of Ms S's redundancy, such as whether it happened when the policy was still active or whether she was out of work long enough to be eligible to claim. As our adjudicator has said, not claiming on a policy some time later is not enough to be able to conclude that it was originally mis-sold, as there are other factors that might have led to someone not claiming, including simply forgetting about the policy.

I have no doubt that Mr B and Ms S have provided their genuine recollection of events. But, as the sale was in 1998, it wouldn't be surprising if their memories have faded. From what we know of Lloyds sales processes at the time, the PPI was normally presented as optional and would not be added to the mortgage account unless someone consented to buy the policy. I haven't seen any evidence that would persuade me that something different happened in this case. Overall, I consider it more likely than not that Mr B and Ms S agreed to buy the policy, knowing that they didn't have to, even if they no longer remember doing so.

Lloyds needed to ensure that the policy was suitable for Mr B and Ms S's needs. And from what I know of their circumstances at the time, the PPI was suitable for them.

Mr B would have received fairly generous sick pay from his employer. It's unclear what sick pay Ms S would have received. But regardless of this, the policy would have paid out in addition to any sick pay and potentially for longer than they would have received full pay for. They had some savings. But having the PPI would have allowed them to retain any savings or use them to cover other outgoings at what would have been a difficult time.

Lloyds also needed to provide Mr B and Ms S with sufficient information for them to make an informed choice about whether or not the PPI was right for them. I can see that they were sent a leaflet about the PPI on 15 October 1998. And the available evidence suggests they were provided with an approximate cost estimation (£50 against the eventual actual cost of £42.50) with a combined amount for all insurances being provided in the welcome letter.

It's possible that Lloyds didn't provide as much information as it should have, particularly about the things that the policy didn't cover. But Mr B and Ms S weren't affected by any of those things. For example, they didn't have any pre-existing medical conditions that might have been excluded under the policy terms. As I think they had an interest in the PPI and decided to buy it, I don't think that further information would have caused them to change their minds. So they are no worse off as a result of anything Lloyds may have done wrong, so there's nothing that Lloyds needs to do to put things right. It follows that I do not uphold the complaint.

My final decision

For the reasons set out above, I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Ms S to accept or reject my decision before 10 November 2023.

Carole Clark
Ombudsman