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Lloyds Banking Group's breach of the Payment Protection Insurance Market Investigation Order 2011 in relation to AXA (TSB) Mortgagesure policies

I am writing to you on behalf of the CMA regarding Lloyds Banking Group's (LBG) breach of the [Payment Protection Insurance \(PPI\) Market Investigation Order 2011](#) (the Order), which was notified to the CMA on 8 April 2021 and has affected 41 PPI customers.

The breach

LBG notified the CMA on 8 April 2021 that it had breached the Order by failing to include the monthly PPI benefit value figures in PPI Annual Reviews relating to some of its AXA (TSB) Mortgagesure PPI policies. LBG reported that it identified this breach on 25 March 2021 as a result of enhanced controls it implemented the following CMA enforcement action:

- [Public letter and action plan to LBG issued on 3 February 2021](#)
- [Directions to LBG issued on 4 October 2018](#)

LBG told the CMA that in its 2021 mailing cycle, it identified that Annual Reviews for 23 Mortgage PPI customers did not include the monthly benefit values as required. LBG corrected the Annual Reviews and these were reissued on 26 March 2021 to all customers who still had a live PPI policy. This was within 14 days of the anniversary date, thereby avoiding a breach of the Order in 2021. However, LBG investigated the error further and found that this issue was also present for this PPI book in two prior years (2019 and 2020) with 41 customers impacted in 2019 and 26 of those customers impacted in 2020.

The CMA's views

LBG's failure relates to Article 4 of the Order, where Annual Reviews are intended to help customers compare the cost of PPI at any point in time with policies offered by

other providers. Failure to indicate the correct monthly benefit values reduces the ability of customers to make accurate comparisons.

This breach demonstrates the value of the CMA's previous formal enforcement work with LBG, as following the enhanced controls that were subsequently introduced by LBG, a further breach has been identified which would not have otherwise been identified. LBG has confirmed that it has reviewed its compliance with the Order, and is taking opportunities to put right the serious shortcomings identified in its compliance processes for this remedy.

Voluntary action Lloyds Banking Group will take to end the breaches

LBG has proposed actions to address the system error in time for the next Annual Review mailing round to put things right for affected customers.

LBG is also sending apology letters for all customers with an open or closed policy affected by the breaches and offering affected customers (with open and closed policies) the option to receive a refund of premiums with 8% interest. Four customers have requested a refund so far and LBG has issued refunds, totalling £1,500.

CMA's assessment and next steps

Due to the nature of the voluntary actions being taken by LBG, the CMA does not consider it necessary to take further formal enforcement action at this time. The CMA will monitor the resolution of this breach closely, including the specific actions and their timing. We reserve the right to take formal enforcement action where LBG fails to complete the actions identified to rectify the system error and address the breach for future Annual Reviews.

Yours sincerely

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