ombudsman news

essential reading for people interested in financial complaints – and how to prevent or settle them

share and share alike?

As a society, the relationship we have with sharing personal information about our lives is complicated.

On the one hand, when we've got something personal we want to share – like photos from a night out with friends – we can do it online in seconds.

We "check in" on Facebook to let our friends know where we're holidaying.

We swipe reward and loyalty cards – because sharing information about ourselves and our buying habits means money off next time.

On the other hand, there are some things about ourselves we don't want to share – or certainly, we don't want to share with everyone.

We might "lock down" our social media profiles, so only people we trust can see them. And while we might be entirely comfortable for our supermarket to know our favourite cereal, we might not be quite so happy with the idea of someone having access to our personal emails without our consent.

Financial Ombudsman Service

scan for previous issues

in this issue

Caroline Wayman

Across financial services, insurance is probably the sector that most relies on finding out the details of people's lives. And since the *Consumer Insurance Act 2012*, it's now insurers' responsibility to ask the right questions to get the information they need about our lives – rather than for consumers having to guess what they think might be of interest to insurers.

Of course, people buying insurance – which is nearly all of us at one time or another – aren't immune from forgetfulness or misjudgement. In this *ombudsman news*, we look at problems caused later down the line by consumers giving the wrong answers – or insurers asking the wrong questions.

It's possible that one day soon consumers won't be asked any questions at all for personal information – because insurers will already have the answers.

The Claims and Underwriting Exchange – a database of information relating to insurance claims – is being used more widely by insurers to confirm information they've been given. And information held by the Driver and Vehicle Licensing Agency (DVLA) will be able to be instantly double-checked by insurers when someone searches for a quote.

Does all this fall into the category of personal information that people would be willing to share – or the category that makes people uncomfortable?

I think it's a question of how far they trust the parties involved. What counts is how far people trust businesses to keep their information secure – and to use it responsibly and fairly.

The law doesn't just automatically make trust happen. But as the speed and scale of information-sharing increases, trust is something that the financial services sector as a whole will need to work even harder to maintain.

Caroline

… it's possible that one day soon consumers won't be asked any questions – because insurers will already have the answers

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under-insurance

Buildings and contents insurance can be a tricky area for a lot of people. One area in particular where we see problems arise is where people are asked to give their own valuations of how much their contents are worth.

It can be difficult for people to calculate the value of their possessions – and we wouldn't expect consumers to be experts at this.

So it can be very stressful for consumers when they're told that they've "under-insured" themselves – as a result of underestimating how much their possessions are worth. They're usually only told about this after they put in a claim – by which time it can be too late.

We see a range of responses from insurers to the issue of under-insurance. Some pay the claim, some pay a reduced amount, and some insurers would cancel the policy completely.

With cases we see involving under-insurance, our approach is similar to the approach we take to complaints involving "misrepresentation". The crucial point in cases like these – and in many insurance disputes we see – is whether insurers are asking their customers clear and straightforward questions.

For example, we see application forms which ask "how much cover do you need?" when what the insurer actually wants to know is "what's the total value of all the items in your home?"

If an insurer didn't ask the consumer to tell them the cost of replacing all their contents – and didn't warn them of the consequences of under-insuring their contents – we may well take the view that the insurer should pay the claim in full, rather than settling it "proportionately".

In some cases we see the advice given by insurers can be misleading and lead the consumer to underinsure their contents. For example, in some cases insurers refer consumers to online valuation calculators without checking if the calculator is suitable for that particular customer.

Similarly, in other cases we see where a policy came up for renewal, the insurer pre-filled parts of the form and didn't ask the consumer to check the accuracy of the information.

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We appreciate online calculators and pre-filled forms can help consumers – but sometimes we see cases where these have led to things going wrong.

Consumers also have their part to play. They're responsible, when asked, for giving the best estimate they reasonably can of the value of their contents.

We're unlikely to find against an insurer just because they've not warned their customer that valuations can change over time. Gold costs more than it used to – and it would be a consumer's responsibility to make sure their gold and jewellery is fully insured.

Obtaining clear and complete information is crucial to insurance. Which is why we don't see many problems arising when insurers ask the right questions – which consumers are able to answer accurately.

... obtaining clear and complete information is crucial to insurance

case study 121/01

consumer's daughter complains that she wasn't asked a clear question when taking out insurance

Mrs F wanted to insure the contents of her home, but being unconfident with finance and figures, she asked her daughter – Miss F – to help.

Before arranging the insurance, Miss F did a bit of research. She asked her mother what some of the more expensive items in the house were, and used the internet to find out roughly how much those items were worth. Once she was happy, she went online in search of a policy for Mrs F.

Using the information she'd found online, Miss F completed the online form for an insurance policy. Afterwards, a representative from the insurer phoned to get a few more details. During the call, the insurer's representative said that it would be worth double-checking the value of the jewellery, because if it turned out to be much more expensive than she was saying, Mrs F *"wouldn't get the full value back if she ever had to claim."*

Later in the year Mrs F's house was burgled. Mrs F asked her daughter for some help sorting things out – so Miss F called the insurer to make a claim.

The insurer contacted Miss F a month later to make an appointment for a loss adjuster to visit Mrs F's home. The earliest the loss adjuster could come round was in four weeks' time.

When the loss adjuster visited Mrs F's house, he looked over what had happened, and gathered evidence for what had been stolen. He provided a report to the insurer a month later. In the report, he said that although the claim should be paid, he did have one area of concern. This related to the contents of Mrs F's home, which had appeared to have been considerably under-insured.

Mrs F had cover in place for up to £10,000 worth of "high value" items, such as jewellery.

... when we received the screenshots of the online process, we realised what had happened

But the report valued the missing jewellery at closer to £100,000. The loss adjuster's recommendation was that the insurer should pay Mrs F the £10,000.

But when the insurer received the loss adjuster's report, they concluded that Mrs F, or Miss F, had failed to tell them the true value of Mrs F's possessions. They said that if they had known the true cost of replacing everything, they wouldn't have offered insurance in the first place. So they cancelled ("voided") the policy.

Miss F complained. She said that she'd been honest about the valuation. She added that it had never occurred to her that claiming an amount less than the jewellery was actually worth would result in them paying nothing at all.

The insurer wouldn't change their mind – so, on Mrs F's behalf, Miss F brought the matter to us.

complaint upheld

We asked Miss F to take us through what had happened. She said that she'd wanted to insure the contents of her mum's home. She thought that using the internet to gauge how much a few of her mother's possessions had been worth was better than just guessing.

We wanted to see what Miss F had been asked when she applied for the policy. So we asked the insurer to give us screenshots of their online forms, and a recording of the follow-up call.

When we received the screenshots of the online process, we realised what had happened.

One of the questions Miss F was asked was, *"what is the total value of the contents to be insured?"* There was a "further information" box to explain the question, but it was in small print, and wasn't very close to the question itself.

Miss F had understood the question to mean, "what's the total value of the contents you want to be insured?" The insurer had meant "what's the total value of all of the contents of the home you want us to insure?"

Those are two quite different questions, and we could see why Miss F had answered as she did. We decided that as the question was ambiguous, it was unfair to penalise Mrs F.

On top of this, we couldn't see any efforts by the insurer to warn Miss or Mrs F about the consequences of under-insurance. The insurer's representative had merely suggested that Mrs F wouldn't "get the full value back" in the event of a claim – rather than saying she might get nothing back at all.

We thought that if Miss F had been asked a clearer question and had been warned about the consequences of under-insurance, she would have acted differently.

The solution that seemed fairest to both sides was to reinstate the policy, and reconsider Mrs F's claim – bearing in mind the existing limits in the policy for items such as jewellery. We also told the insurer to remove any references to Mrs F having a policy "voided".

Finally, we felt that the insurer had been very slow to look into Mrs F's claim which had been frustrating for her – so we told the insurer to pay Mrs F £200.

case study 121/02

consumers complain that "straightforward insurance" wasn't straightforward at all

Mr and Mrs Y were looking to change insurers for their contents insurance to get a better deal. After shopping around a bit, they settled on a particular company and printed off an application form with its supporting documents.

When filling out the forms, Mr and Mrs Y were presented with three different options for cover. They could get up to £50,000 cover, either with or without accidental damage cover, or up to £25,000 cover with a deduction for wear and tear.

They weren't sure how much their possessions were worth, but they had some quite valuable items. Having read the policy brochure they'd printed out, they thought it would be best to go with the highest level of cover. They completed their application forms and sent them off.

They subsequently received confirmation documents which they read and filed away with their other important documents.

The following winter Mrs Y arrived home from work one day to find that their house had been flooded by a burst pipe. She immediately phoned her husband, and she called their insurer and a plumber.

After the water was pumped away, a loss adjuster came round to assess the damage and investigate the claim.

The loss adjuster realised that there was well over £50,000 worth of damage to the contents of Mr and Mrs Y's house. He reported this to the insurer.

The insurer accepted Mr and Mrs Y's claim. But the insurer said that because the couple's house was under-insured, it would reduce the amount of money it would pay Mr and Mrs Y. The insurer offered Mr and Mrs Y £25,000.

Mr and Mrs Y said that they thought this was outrageous. They thought they had up to £50,000 insurance, and even if the contents of their house were worth more, they felt they should get the full £50,000. So they complained.

The insurer said that the couple hadn't disclosed the full value of their contents. And the insurer said it was entitled to make the reduced payment because of the under-insurance.

Frustrated, Mr and Mrs Y asked us to look into their problem.

complaint upheld

We wanted to see all the information that Mr and Mrs Y had been given when buying their insurance. Both the couple and the insurer sent us copies of the documents involved.

The policy was advertised as being straightforward, in plain English, without any catches. And the policy brochure itself said that:

"Sometimes people worry about not having enough cover (the technical term is "under-insured"). The result of being "under-insured" is that, in the event of a claim, they will not be covered for the full amount of their loss.

Our … insurance removes this worry for most people by automatically insuring you up to a maximum amount."

We decided that by selecting the highest level of cover, Mr and Mrs Y were entitled to think they wouldn't be affected by under-insurance.

We also looked at what the application forms said about choosing how much to insure their home for.

Neither the form nor the "key features" document made any reference to insuring the full cost of their possessions. Instead, there were simply three levels of cover to choose from.

We thought this was significant. If Mr and Mrs Y weren't being asked to estimate the value of all of their things, we didn't think they ought to know that the top level of cover might not be suitable for them.

Given all the paperwork that Mr and Mrs Y had seen, we thought it was reasonable for them to think they weren't in danger of being under-insured. So we decided it would be unfair to hold their accidental under-insurance against them.

We told the insurer to reconsider the claim, disregarding the clause about under-insurance. We also saw that the insurer's very slow handling of the claim had been very stressful for Mr and Mrs Y, so we told them to pay the couple £300 in compensation.

… the policy was advertised as being straightforward, in plain English, without any catches

... she said that she'd used the insurer's suggested valuation calculator – as they'd told her to

case study 121/03

consumer complains that valuation calculator wasn't suitable for her home

When Mrs J came to renew her home insurance, her insurer told her that their underwriting policies had changed. Mrs J had previously had "unlimited" cover, but with the change in the insurer's policies, Mrs J now had to provide a valuation for her home.

The insurer told her to use an online valuation calculator on a different company's website. Wanting to get everything right, Mrs J went around her house noting all the details she could think of, and even used a tape measure to double-check the size of her rooms.

When she had everything together, she went online to value her house. Everything went smoothly, and Mrs J felt reassured that her home was now safely insured.

A few months later, a burst pipe caused severe damage to much of Mrs J's home. She called her insurer to make a claim.

The insurer's loss adjuster visited Mrs J's house and assessed the damage. But when putting together her report, the loss adjuster realised that Mrs J's property was substantially under-insured. She thought that it had only been insured up to about half the true value.

When the insurer received the report, they decided to pay the claim – but only proportionately, because the house was so under-insured.

Mrs J complained. She said that she'd used the insurer's suggested valuation calculator – as they'd told her to – and should therefore have been fully insured.

But when the insurer wouldn't change their mind, Mrs J asked us to step in.

complaint upheld

Unfortunately the valuation calculator that the insurer had told Mrs J to use was no longer available. So we couldn't see exactly what Mrs J had been asked. We asked Mrs J how much she could remember about the calculator. And we asked the insurer what information they had about the calculator they had been telling their customers to use.

The problem quickly became apparent from what Mrs J and the insurer were telling us. The calculator itself wasn't suitable for Mrs J's property. It allowed calculations on properties with up to four bedrooms, while Mrs J's had six. And it didn't ask about non-standard things, so hadn't picked up that Mrs J's house was a listed property.

There was no disagreement that the insurer had advised Mrs J to use the valuation calculator. And nothing in what either side told us suggested that Mrs J had been at all dishonest in her application. After all, she'd even taken the trouble to measure up her whole house.

Taking these facts together, we took the view that before they told her to use the calculator the insurer should have at least checked some basic facts. So because the fault was the insurer's, we decided it was unfair of them to reduce their payment to Mrs J for under-insurance.

We told the insurer to pay Mrs J the difference between what she'd already received and what she would have got had she been fully insured.

... Mr B pointed out that his house had been built using a timber kit, so was much cheaper

case study 121/04

consumer complains that loss adjuster's valuation calculation was wrong

Mr B's home had only been insured for a few months when disaster struck. An electrical fire broke out and severely damaged a few rooms in his house. Firefighters were able to put it out relatively quickly – and once the emergency was over, Mr B called his insurer to make a claim.

The insurer sent their loss adjuster to inspect the damage and draft up a report. Having assessed the damage, the loss adjuster estimated the "value at risk" – the cost of rebuilding Mr B's house – as about £150,000.

The insurer considered the loss adjuster's report while deciding whether to accept the claim. They noticed that the building was only insured up to £100,000 – and concluded that the house had been under-insured. So while they accepted the claim, they decided to settle it "proportionately" – giving Mr B only part of the maximum £100,000 he was insured for.

Mr B said he thought this was outrageous. He complained to the insurer, questioning the loss adjuster's valuation saying he wanted the full payment. Mr B pointed out that his house had been built using a timber kit, so was much cheaper than traditional brick buildings.

The insurer wouldn't change their mind. So Mr B asked us to look into things for him.

complaint upheld

We asked both sides for their views of what had happened. Mr B gave us all the evidence he had about how much the house had originally cost. Including the land, labour, building, decorating and furnishing costs, Mr B's house had originally set him back roughly £110,000. An invoice showed that the timber kit used had cost about £30,000 ten years earlier.

The insurer was less forthcoming in the information they provided. They gave us the loss adjuster's final figures for estimating the "value at risk", but said they weren't able to show how he'd reached his estimate.

Having done some research, we consistently found that building a house from timber kits of the size that Mr B had used cost considerably less than the loss adjuster had estimated. But when we researched the cost of using brick instead of a timber kit to rebuild Mr B's house, the cost matched the loss adjuster's estimated figure.

So it seemed likely to us that the loss adjuster hadn't factored in the fact that Mr B's house was a timber kit. This had increased the estimate of rebuilding the house substantially.

When we told the insurer this, they said that it was their policy to use "brick-based costing when assessing rebuilds". We thought this was unfair on Mr B, as it had left him out of pocket.

Given how much Mr B's house had originally cost him, and how much timber kits cost, we didn't think he'd been under-insured. So we told the insurer to meet Mr B's claim as though he wasn't under-insured, paying him the money that had originally been deducted from the settlement.

... replacing all the stolen items would cost over £120,000

case study 121/05

consumer complains after insurer "voids" her policy for under-insurance

While she was at work, Mrs A's house was broken into and all her jewellery was taken. A window had been smashed at the back of the house and the thief had climbed in. Mrs A immediately phoned the police to report the crime. At the end of the call, the operator suggested Mrs A phone her insurer, which she promptly did.

The insurer sent round a loss adjuster to interview Mrs A and find out what was taken.

Mrs A listed quite a lot of items – mainly jewellery. And when the loss adjuster started carrying out valuations on the items taken, he realised that replacing all the stolen items would cost over £120,000.

When the insurer received the loss adjuster's report, they decided to cancel Mrs A's policy and refund all of her premiums. They explained that Mrs A was only insured up to £25,000. They said that she'd so severely under-insured her possessions that "voiding" the policy was their only option – because if they had known the true value of the contents of her home, they wouldn't have insured Mrs A in the first place.

Mrs A complained. She said that the valuation figure was too high, as the stolen items could never have been sold for so much.

The insurer explained that while that might be true, they would have to replace her stolen items with brand new goods. They said this explained the high figure.

When the insurer wouldn't change their position, Mrs A complained to us.

complaint not upheld

First we wanted to see how the loss adjuster had arrived at his estimate. The insurer showed us the list of items that had been taken – signed by Mrs A.

At the same time, they also gave us evidence showing the cost of the items. We checked these valuations, and couldn't see anything wrong with the way the loss adjuster had arrived at the figures.

Secondly, we turned to the question of whether Mrs A had under-insured her possessions – and whether she'd been treated unfairly. We wanted to see what Mrs A had been asked when taking out her policy. There was little information from the time that Mrs A had originally taken out the policy – but it had been renewed several times.

The covering letter that accompanied each year's renewal forms said, in bold text:

"Please ensure all the information you provide is accurate and up to date, as any inaccurate information could impact upon the success of future claims."

The renewal forms that Mrs A had signed and returned each year said:

"Please check this information carefully and call us immediately if anything is untrue, incomplete or out of date so we can send you new documents."

And below the section *"Contents"*, Mrs A had been asked to confirm that, "the full cost of replacing the contents of your property does not exceed £25,000."

In cases like this, we have to weigh up whether an insurer has been put in an unfair position because of a consumer's carelessness in response to clear instructions. We didn't think that Mrs A had been careful when completing the forms.

The insurer had said that if they'd known the true cost of Mrs A's possessions then they wouldn't have insured her. To back this up, they sent us copies of their underwriting guidance. The guidance said that insurance wouldn't be granted if the contents were worth more than £100,000, or if there was an *"excessive amount of jewellery"*.

We thought that both of these conditions were true in Mrs A's case. So we agreed that the insurer wouldn't have offered Mrs A insurance if they'd known the true cost.

We sympathised with Mrs A's situation, and understood that it was a very distressing time for her. But in this case, the insurer hadn't acted unfairly in rejecting her claim. We didn't uphold Mrs A's complaint.

... we have to weigh up whether an insurer has been put in an unfair position

case study 121/06

consumer complains that he can't replace a lost item – because his insurer didn't advise him about changing price of gold

Mrs Mr U took out a new home insurance policy which allowed him to insure particularly valuable items individually. He wanted to insure one of his wife's gold bracelets, which was one of her favourites. A few years earlier it had been valued at £4,500, and this was the valuation that Mr U had given the insurer.

A few years later Mr U and his wife returned from an evening out, and his wife noticed that she no longer had the bracelet on. She thought it must have come undone or fallen off during the evening. In the morning, Mr U called their insurer to put in a claim so he could replace the bracelet.

The insurer instructed a loss adjuster to assess the claim. He looked at the details of the bracelet and estimated the replacement cost at about £8,500.

... it was clear from the phone call that the bracelet had been very important to Mr U and his wife

The insurer received the loss adjuster's report and offered to pay Mr U £4,500 – the value he'd had the bracelet insured for.

Mr U wasn't happy with this. He said that he wouldn't be able to replace the bracelet for £4,500, and should receive the full £8,500. He said that he'd insured the bracelet so that it could be replaced if the worst happened – and he expected to be able to replace it now.

The insurer disagreed. They said that when Mr U had taken out the policy their representative had made it very clear to Mr U that he was responsible for keeping the valuation of the bracelet up to date.

They also said that when Mr U had been renewing his policy each year he'd been given several warnings about the consequences of under-insuring his possessions.

As the insurer wouldn't change their stance, Mr U brought his complaint to us.

complaint not upheld

We wanted to see what Mr U had been told about insuring his wife's bracelet. So we told the insurer to send us a recording of the initial phone call with Mr U.

It was clear from the phone call that the bracelet had been very important to Mr U and his wife. The discussion of the bracelet had taken up most of the call.

When the topic of valuations came up, the representative had stressed more than once the importance of getting regular valuations. At one point during the call the representative said, *"the really important thing, [Mr U], is that you get your wife's bracelet re-valued when you're renewing your policy, as you don't want to be under-insured in the event of a claim."*

The conversation then moved on to discussing whether re-valuations would affect Mr U's premiums or incur an administration charge. So we were confident that Mr U had been told about valuations during the initial call.

We also wanted to see what Mr U had been told when he'd renewed his policy. The insurer provided copies of the three most recent renewal documents.

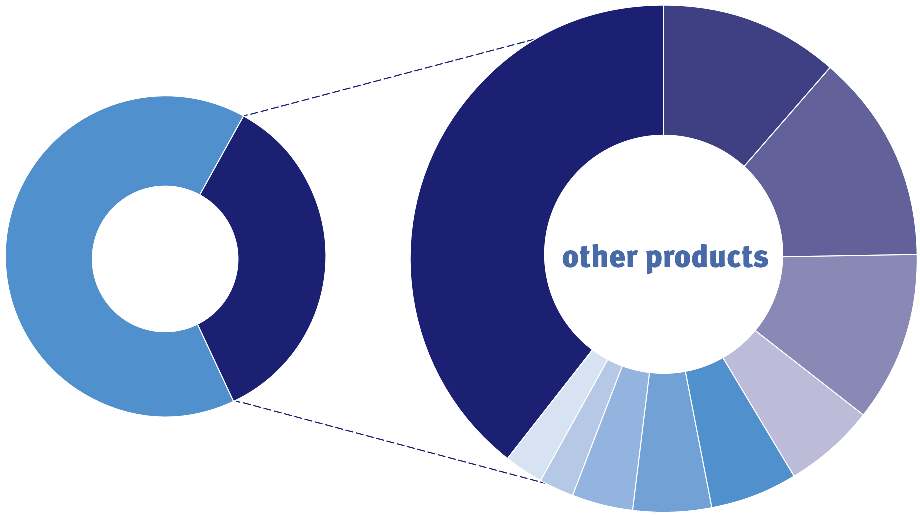
We could see that the insurer's covering letters had said "check that the level of cover is sufficient, as prices and circumstances can change year on year." The forms themselves contained similar warnings too.

We decided that the insurer had made a lot of effort to explain under-insurance to Mr U, and had warned him about the consequences. So we didn't think the insurer had acted unfairly in paying Mr U £4,500 to settle the claim. We didn't uphold his complaint.

what consumers complained about to the ombudsman service in July, August and September 2014

- payment protection insurance (PPI) 65%
- complaints about other products 35%

- current accounts 4%
- packaged bank accounts 4.7%
- house mortgages 3.8%
- credit card accounts 2%
- car and motorcycle insurance 2%
- overdrafts and loans 1.7%
- buildings insurance 1.4%
- mortgage endowments 0.8%
- term assurance 0.8%
- complaints about other products 13.8%



enquiries: these are problems where consumers have asked us for help, reassurance and explanations.
cases: these are complaints that need more detailed further work by our adjudicators.
ombudsman: these are cases where either the business or consumer has appealed to the ombudsman for a final decision.

	... so far this year April - Sept 2014				
	enquiries received	new cases	ombudsman	% of cases upheld	enquiries received
payment protection insurance (PPI)	147,179	113,557	11,699	55%	70,512
current accounts	15,771	6,921	858	36%	7,849
car and motorcycle insurance	12,750	3,783	831	34%	6,401
credit broking	11,405	497	111	64%	6,159
house mortgages	10,064	6,335	1,417	32%	4,803
packaged bank accounts	8,652	7,115	110	46%	4,175
credit card accounts	7,874	4,220	627	33%	3,726
overdrafts and loans	5,560	3,006	637	39%	2,662
buildings insurance	4,819	2,463	448	37%	2,232
mortgage endowments	2,774	1,387	256	25%	1,331
hire purchase	2,356	869	203	38%	1,201
travel insurance	2,174	1,106	209	45%	1,198

ombudsman focus: **second quarter statistics**

A snapshot of the work we have done during the second quarter of the 2014/2015 financial year.

We publish updates in *ombudsman news* on a quarterly basis showing what kind of financial products people come to us for help about – and what proportion of those complaints we have upheld in favour of consumers.

In this issue of ombudsman news we focus on data from the second quarter of the financial year 2014/2015 – showing the new complaints we received during July, August and September of this year. For the first time – following readers' feedback – we have also added more information on how we've helped people, by showing the number of enquiries they have made about financial products as well as the number of complaints that were passed to an ombudsman for a final decision.

We handled over 157,000 enquiries from consumers wanting our guidance and support during the second quarter of the year. We took on 88,038 new cases and 12,125 complaints were appealed to an ombudsman as the final stage of our complaints handling process.

Two thirds of the new complaints we received were about PPI, and packaged bank accounts were the second most complained about product with 7,115 new cases needing more detailed work.

The proportion of complaints we upheld in favour of the consumer ranged from 1% (for complaints about SERPs) to 88% (for complaints about card protection insurance).

... in Q2 July - Sept 2014			... in Q1 April - June 2014				... in the whole of 2013/2014			
new cases	ombudsman	% of cases upheld	**enquiries received**	new cases	ombudsman	% of cases upheld	**enquiries received**	new cases	ombudsman	% of cases upheld
57,094	6,488	49%	**76,667**	56,869	5,211	61%	**533,908**	399,939	14,904	65%
3,622	446	38%	**7,922**	3,552	412	35%	**33,411**	13,676	2,255	33%
1,958	444	35%	**6,349**	1,844	387	32%	**27,425**	7,190	1,136	38%
313	61	63%	**5,246**	170	50	68%	**6,376**	649	256	56%
3,333	802	33%	**5,261**	3,007	615	32%	**22,125**	12,598	2,795	29%
4,137	80	42%	**4,477**	2,853	30	51%	**7,403**	5,668	94	77%
2,026	296	33%	**4,148**	2,166	331	33%	**20,446**	10,120	1,622	30%
1,513	308	37%	**2,898**	1,486	329	40%	**13,381**	6,306	1,661	35%
1,280	258	35%	**2,587**	1,211	190	38%	**10,340**	4,095	901	44%
670	158	26%	**1,443**	705	98	23%	**7,531**	3,573	861	28%
473	105	37%	**1,155**	450	98	39%	**4,260**	1,511	368	42%
604	97	49%	**976**	498	112	41%	**4,574**	2,247	563	53%

	... so far this year April - Sept 2014				
	enquiries received	new cases	ombudsman	% of cases upheld	enquiries received
payday loans	**2,053**	388	111	64%	**932**
"point of sale" loans	**1,869**	777	167	39%	**960**
term assurance	**1,757**	1,419	247	20%	**804**
deposit and savings accounts	**1,744**	959	180	38%	**819**
debt collecting	**1,742**	484	45	31%	**911**
personal pensions	**1,655**	651	174	24%	**784**
card protection insurance	**1,628**	839	13	88%	**851**
contents insurance	**1,590**	732	134	35%	**831**
whole-of-life policies	**1,424**	855	171	23%	**688**
debit and cash cards	**1,211**	523	76	42%	**604**
inter-bank transfers	**1,144**	581	81	45%	**609**
warranties	**1,110**	375	42	43%	**567**
catalogue shopping	**1,101**	457	38	55%	**557**
electronic money	**1,020**	257	26	44%	**533**
secured loans	**947**	546	112	38%	**438**
home emergency cover	**890**	641	100	38%	**410**
income protection	**845**	578	118	36%	**394**
debt adjusting	**813**	250	66	64%	**365**
commercial vehicle insurance	**811**	256	56	35%	**405**
portfolio management	**803**	611	269	49%	**376**
mobile phone insurance	**790**	259	31	50%	**437**
pet and livestock insurance	**757**	372	73	32%	**396**
investment ISAs	**725**	449	118	44%	**386**
cash ISA - Individual Savings Account	**725**	400	38	44%	**303**
share dealings	**652**	350	107	31%	**322**
critical illness insurance	**647**	393	80	24%	**343**
self-invested personal pensions (SIPPs)	**646**	467	250	56%	**293**
roadside assistance	**608**	307	59	41%	**333**
direct debits and standing orders	**578**	279	44	46%	**309**
private medical and dental insurance	**557**	390	117	37%	**278**
cheques and drafts	**557**	293	55	47%	**278**
annuities	**552**	408	69	20%	**204**
legal expenses insurance	**537**	353	119	33%	**278**
store cards	**519**	215	35	32%	**275**
commercial property insurance	**506**	342	96	38%	**228**
specialist insurance	**492**	228	25	51%	**243**
hiring / leasing / renting	**433**	165	35	31%	**209**

... in Q2 July - Sept 2014			... in Q1 April - June 2014				... in the whole of 2013/2014			
new cases	ombudsman	% of cases upheld	**enquiries received**	new cases	ombudsman	% of cases upheld	**enquiries received**	new cases	ombudsman	% of cases upheld
201	41	66%	**1,121**	189	70	62%	**5,378**	794	128	63%
401	88	36%	**909**	352	79	41%	**3,658**	1,418	295	38%
677	140	23%	**953**	679	107	18%	**4,836**	3,426	767	19%
471	91	39%	**925**	440	89	37%	**4,714**	2,515	737	41%
304	21	29%	**831**	234	24	34%	**3,088**	557	68	39%
329	86	25%	**881**	339	88	24%	**3,432**	1,320	471	31%
446	7	92%	**777**	381	6	80%	**2,180**	1,118	38	77%
402	88	40%	**759**	322	46	29%	**3,968**	1,771	392	39%
461	102	23%	**736**	431	69	23%	**3,135**	1,808	453	21%
259	34	43%	**607**	225	42	39%	**2,719**	1,177	221	41%
303	41	43%	**535**	263	40	46%	**2,113**	952	199	36%
186	27	46%	**543**	197	15	41%	**2,368**	754	93	48%
264	22	53%	**544**	184	16	5%	**2,411**	792	114	56%
134	15	42%	**487**	125	11	45%	**1,899**	435	43	32%
278	52	37%	**509**	241	60	39%	**1,874**	1,053	248	32%
277	65	43%	**480**	358	35	31%	**2,637**	1,387	163	49%
297	64	38%	**451**	299	54	34%	**2,175**	1,421	385	30%
125	37	69%	**448**	114	29	61%	**1,458**	530	185	74%
115	32	35%	**406**	127	24	35%	**1,799**	561	112	41%
303	127	45%	**427**	330	142	56%	**1,653**	1,166	457	61%
131	20	47%	**353**	125	11	52%	**1,681**	551	92	69%
206	28	27%	**361**	163	45	36%	**1,537**	720	123	31%
254	68	44%	**339**	207	50	44%	**1,385**	929	243	43%
203	21	44%	**422**	196	17	44%	**1,448**	842	94	45%
184	58	38%	**330**	168	49	24%	**1,449**	694	203	36%
227	39	25%	**304**	182	41	24%	**1,470**	906	301	26%
210	144	59%	**353**	241	106	53%	**1,480**	969	255	63%
173	25	43%	**275**	131	34	39%	**1,288**	668	97	43%
164	22	47%	**269**	115	22	46%	**1,285**	534	104	41%
188	46	32%	**279**	197	71	42%	**1,629**	988	294	40%
138	27	47%	**279**	144	28	47%	**1,242**	569	131	45%
210	37	21%	**348**	189	32	19%	**912**	601	157	32%
186	52	32%	**259**	162	67	34%	**1,218**	691	229	42%
91	19	37%	**244**	122	16	28%	**1,105**	466	79	45%
157	46	36%	**278**	162	50	40%	**1,173**	740	215	43%
119	13	51%	**249**	124	12	52%	**1,456**	406	55	59%
97	16	38%	**224**	85	19	25%	**907**	291	51	35%

**This table shows all financial products and services where we received (and settled) at least 30 cases. This is consistent with the approach we take on publishing complaints data relating to named individual businesses. Where financial products are shown with a double asterisk, we received fewer than 30 cases during the relevant period.

	... so far this year April - Sept 2014				
	enquiries received	new cases	ombudsman	% of cases upheld	**enquiries received**
merchant acquiring	**416**	170	40	19%	**195**
credit reference agency	**375**	71	10	39%	**174**
endowment savings plans	**364**	270	61	19%	**147**
unit-linked investment bonds	**326**	266	156	48%	**152**
personal accident insurance	**309**	205	59	27%	**157**
debt counselling	**302**	61	8	45%	**148**
occupational pension transfers and opt**outs	**277**	208	106	50%	**127**
business protection insurance	**269**	112	31	35%	**137**
state earnings-related pension (SERPs)	**248**	224	10	1%	**100**
"with-profits" bonds	**237**	130	33	34%	**132**
guaranteed asset protection ("gap" insurance)	**227**	124	17	25%	**111**
guaranteed bonds	**225**	152	24	13%	**112**
building warranties	**206**	146	88	73%	**89**
interest rate hedge	**186**	101	60	75%	**97**
caravan insurance	**164**	55	13	34%	**84**
money remittance	**149**	90	5	53%	**64**
(non-regulated) guaranteed bonds	**143**	85	21	34%	**74**
conditional sale	**142**	122	41	42%	**48**
home credit	**120**	61	15	37%	**66**
FSAVC's	**108**	86	33	35%	**47**
income drawdowns	**94**	108	54	38%	**46**
premium bonds	**89**	37	8	32%	**45**
OEICs (open-ended investment companies)	**85**	69	58	39%	**34**
spread betting	**79**	43	24	13%	**27**
derivatives	**77**	75	30	23%	**19**
film partnerships	**77**	66	117	10%	**40**
foreign currency	**73**	**	6	**	**42**
unit trusts	**72**	35	19	39%	**38**
pensions mortgages	**65**	44	18	45%	**35**
safe custody	**57**	44	20	54%	**33**
sub total	**273,377**	**172,368**	**22,279**	**50%**	**132,822**
other products and services	**41,669**	**471**	**111**	**35%**	**24,497**
total	**315,046**	**172,839**	**22,390**	**50%**	**157,319**

... in Q2 July - Sept 2014			... in Q1 April - June 2014				... in the whole of 2013/2014			
new cases	ombudsman	% of cases upheld	**enquiries received**	new cases	ombudsman	% of cases upheld	**enquiries received**	new cases	ombudsman	% of cases upheld
85	21	21%	**221**	79	19	19%	**912**	352	72	19%
**	10	**	**201**	**	**	**	**629**	131	26	39%
117	49	23%	**217**	144	12	14%	**962**	655	179	19%
116	94	47%	**174**	136	62	50%	**1,005**	791	327	46%
115	29	22%	**152**	88	30	31%	**760**	477	136	31%
**	6	**	**154**	**	2	**	**395**	95	15	54%
105	35	54%	**150**	98	71	47%	**627**	428	162	44%
60	12	35%	**132**	56	19	36%	**597**	274	57	38%
94	2	1%	**148**	132	8	2%	**621**	527	33	2%
84	24	29%	**105**	64	9	38%	**493**	304	86	30%
61	10	31%	**116**	62	7	16%	**540**	247	28	25%
79	15	12%	**113**	75	9	14%	**579**	419	82	22%
70	55	82%	**117**	74	33	39%	**516**	384	87	64%
51	19	67%	**89**	49	41	82%	**297**	135	121	80%
**	6	**	**80**	**	7	**	**256**	81	18	34%
35	2	44%	**85**	**	3	**	**308**	117	15	46%
46	12	36%	**69**	43	9	42%	**270**	122	30	34%
48	25	38%	**94**	39	16	46%	**317**	225	69	44%
**	9	**	**54**	**	6	**	**270**	138	29	33%
44	19	36%	**61**	44	14	35%	**303**	172	38	38%
55	27	39%	**48**	52	27	35%	**224**	169	103	49%
**	3	**	**44**	**	5	**	**124**	55	13	36%
**	21	**	**51**	44	37	42%	**256**	219	72	32%
**	9	**	**52**	**	15	**	**183**	126	71	49%
**	21	**	**58**	43	9	27%	**134**	81	33	25%
**	59	**	**37**	35	58	13%	**224**	201	34	18%
**	3	**	**31**	**	3	**	**191**	94	20	31%
**	10	**	**34**	**	9	**	**139**	109	40	34%
**	4	**	**30**	**	14	**	**155**	95	29	54%
**	6	**	**24**	**	14	**	**165**	105	36	57%
87,459	12,073	46%	**140,565**	84,711	10,206	55%	**783,792**	511,420	38,083	58%
579	52	33%	**17,162**	473	59	41%	**78,474**	747	314	24%
88,038	**12,125**	**46%**	157,727	**85,184**	**10,265**	**55%**	863,266	**512,167**	**38,397**	**58%**

mortgages – lifetime mortgages and financial hardship

Even though equity release makes up a relatively small proportion of our mortgage caseload, we're still asked to step into a number of complaints every year.

Because these disputes generally involve large amounts of money – and the borrowers might have died – they can be very stressful and upsetting for the people involved. With figures suggesting the equity release market is growing, it's important that financial businesses know how to sort out any problems as fairly and sensitively as possible.

Our case studies look in particular at lifetime mortgages – the most common type of equity release. Lifetime mortgages are generally available to people aged over 55 or 60, and are designed to be repaid when the consumer dies or goes into long-term care. Before then, they can either draw a regular income from the loan or take a lump sum – for example, to use for home improvements.

If someone tells us that they don't think a lifetime mortgage was right for them – or for someone who has died – we'll carefully consider the consumer's circumstances at the time, and whether the advice they received was appropriate. We'll also consider how clearly the arrangement was explained – including the effect on any state benefits the consumer might have been entitled to.

Lifetime mortgages are a relatively expensive form of borrowing. So we might uphold a complaint if we find that the consumer could have raised the money they wanted in a different, less expensive way.

... these disputes can be very stressful and upsetting

Although interest is charged on the loan, consumers don't generally pay this off – instead, it's rolled into the amount to be repaid. Repaying a lifetime mortgage early means paying back both the loan and the interest – and usually significant early repayment charges.

Because of these high costs, we might uphold a complaint if we see evidence that the consumer always intended to repay the mortgage early – for example, because they'd planned to move house.

If we decide that a lifetime mortgage should never have been sold, we'll tell the business to put the consumer – or their estate

Financial Ombudsman Service

... the mortgage company refused to clear the three months' arrears

– in the position they would be in if they hadn't taken it out. We'll need to take into account whether the consumer spent any of the money – and also whether they paid any set-up fees and charges.

We also continue to see mortgage complaints involving financial hardship. So we take a look at some examples of these – with a particular focus on how apparently small errors can have a very large impact on a consumer. Our approach to these cases is set out on our website – along with guidance on how to compensate consumers for the non-financial consequences of a mistake.

case study 121/07

consumer complains that mortgage hasn't been switched to interest-only

When Mrs N was diagnosed with throat cancer, she had to give up work. Even though she was receiving some income support, she knew she wouldn't be able to meet her mortgage repayments. She was having trouble talking because of her illness, so she asked a friend, Miss M, to call the mortgage company to see what they could do.

The mortgage company and Miss M discussed Mrs N's situation for some time. Worried she'd forget something important, Miss M asked if Mrs N could be sent a letter confirming what had been said. Shortly afterwards, Mrs N received a letter explaining the option of switching from a repayment mortgage to interest-only.

Mrs N thought this sounded like a good idea. She'd heard about a scheme where the Department for Work and Pensions (DWP) would pay interest directly to the mortgage company. So if her mortgage was interest-only, her monthly repayment would be covered.

Miss M called the mortgage company to confirm the change would go ahead. She was told the "right team" wasn't available to talk – but that a letter would be sent to Mrs N. When the letter didn't arrive, Miss M called again to ask whether Mrs N should cancel her direct debit as the DWP was now willing to pay her mortgage interest. She was told that Mrs N should go ahead.

So Mrs N cancelled her direct debit – and as she didn't hear anything more from the mortgage company, she assumed everything was working as it should.

Three months later, Mrs N received a letter from the mortgage company saying she was in arrears. When Miss M called to ask what was going on, she was told that because Mrs N hadn't replied to the original letter, her mortgage hadn't been switched to interest-only.

So while the DWP payment was covering the interest, there was still an amount outstanding each month.

When Miss M complained, she was told that Mrs N's mortgage would be switched to interest-only from the next month. But the mortgage company refused to clear the three months' arrears that were already on the account – saying Mrs N hadn't confirmed she was happy to change over.

Frustrated – and worried about the impact on her credit file – Mrs N asked us to step in.

complaint upheld

We needed to establish what exactly Miss B and Mrs N had been told – and whether they or the mortgage company were responsible for the switch not happening.

We asked the mortgage company for a recording of Miss M's first call to them, asking what they could do to help Mrs N. It turned out switching to interest-only wasn't the only thing the mortgage company had suggested at that time. They'd also talked through other options with Miss M, including extending the mortgage term and getting help from the DWP.

We could see why Miss M had thought it best for the conversation to be confirmed in writing. It was a lot of information to expect her to remember – and it was important that Mrs N got all the details of each of the available options.

But when Mrs N showed us the letter she'd received, we found it didn't reflect the conversation Miss M had had with the mortgage company. The only option the letter mentioned was changing the mortgage to interest-only. It began: "Please find detailed information regarding a transfer to pay the interest only on your account on a temporary basis".

We also noted that the letter didn't say that Mrs N needed to do anything to confirm the change. In light of this, we thought it was understandable that she thought the change would go ahead – and that she hadn't replied.

We asked the mortgage company whether they'd followed up the letter.

From the records we saw, it appeared that they'd tried unsuccessfully to phone Mrs N shortly afterwards – but hadn't tried again. They hadn't returned Miss M's call or sent a confirmation letter as they'd said they would. They'd told Miss M that Mrs N could cancel her direct debit. But they'd waited until Mrs N's account was three months in arrears before writing to her.

It seemed that Miss M and Mrs N had gone to a lot of trouble to make the mortgage company aware of Mrs N's situation – and to make sure that Mrs N's mortgage would be paid. On the other hand, it seemed that the mortgage company's communication had been very poor – especially given that they knew Mrs N was ill and needed their support.

In all the circumstances, we decided that the mortgage company – not Mrs N – was responsible for her mortgage not changing. So Mrs N wasn't responsible for the arrears on her account.

We told the mortgage company to rework Mrs N's mortgage account as if it had been switched to interest-only the month after Miss M first called them. That meant refunding any arrears fees that had been applied since then – and making sure Mrs N's credit file wasn't affected.

We also told the mortgage company to pay Mrs N £600 to reflect the distress their actions had caused at what they had known was a very difficult time.

... the mortgage company's communication had been very poor

case study
121/08

consumer complains that mortgage company hasn't compensated him for the upset caused by their mistake

Mr D was signed off work with severe depression. His income fell significantly – and he began to have trouble covering his mortgage.

Mr D approached a local mental health advocacy service, who got in touch with his mortgage provider – his bank – to explain the situation. It turned out that Mr D's mortgage was already interest-only, so switching to interest-only wasn't an option. But the advocate managed to agree a temporary repayment break, which meant Mr D wouldn't have to pay anything for three months. After that, he'd start repaying the interest as usual.

Shortly after the repayment break finished, Mr D's debit card wouldn't work in the supermarket. When he went into his bank branch to find out what was wrong, he discovered that a very large mortgage payment had been taken from his current account. But there hadn't been enough money to cover it all. And with nothing left in the account, several other direct debits and standing orders had failed – which in turn had caused charges to be applied.

Mr D was extremely upset. He got in touch with his advocate, who complained on his behalf to the bank. When the bank looked into what had happened, they admitted they'd made a mistake. They said that when Mr D's payment holiday ended, they'd accidentally started taking capital repayments as well. It was just a matter of a wrong entry on their system. But the total repayment had been three times the interest-only amount that Mr D had been expecting.

The bank said they'd sent Mr D two letters reminding him that his payment break was due to end, and setting out the amount they'd be taking. They said that if he'd questioned the amount at that point, then the problem wouldn't have arisen. But they offered to pay back the extra money – as well as the £35 arrears fee that they'd applied. They also said they'd cover any bank charges that Mr D had run up.

Mr D didn't think this was enough. He felt the bank didn't appreciate his situation and the stress their actions had caused. He asked us, through his advocate, to put things right.

complaint upheld

We looked carefully at the refund that the bank had given Mr D. And we checked that, in terms of overpayments and charges, he wasn't out of pocket. But we explained to the bank that we also needed to consider whether their mistake had had a non-financial impact on Mr D.

We confirmed with Mr D that he'd been receiving treatment for severe depression – including regular appointments with his doctor and community mental health team.

He told us that he'd approached the advocacy service for support because he didn't feel he could cope with having conversations about his finances with the companies involved.

In our view, it was clear that Mr D had been having a very difficult time. The bank had been aware of this, because he'd explained it to them.

Mr D told us he hadn't received the letters the bank said they'd sent. He said it might be because he'd recently split up with his wife, and had moved out of the house the mortgage related to.

When we asked to see the bank's records, we saw that Mr D's wife had got in touch when the letters arrived – and had tried to let them know where Mr D was living. But the bank had refused to speak to a "third party".

We understood that the bank had done this for security reasons. But we thought they could have got in touch with Mr D through his advocate – who had Mr D's signed permission to deal with his mortgage.

Mr D told us how humiliated he'd been when his card was declined in the supermarket. And we could understand how stressed and anxious he'd felt when his bank account was cleared out. He'd had to get in touch with the council and several utilities companies who hadn't been able to take their regular payments. He said he'd been feeling bad enough already, and the hassle with his mortgage was the last thing he needed.

When we pointed all this out to the bank, they said they hadn't appreciated how much their administrative error had affected Mr D. They apologised – and were able to reach an amount of compensation that Mr D was happy with, based on the guidance on our website.

The bank also said they'd put Mr D in touch with their specialist team – who could help him manage his mortgage and bank account until his situation improved.

... he said the hassle with his mortgage was the last thing he needed

case study 121/09

attorney complains that consumer shouldn't have been sold a "lifetime" mortgage

Mrs K hadn't worked for some years. And Mr K was hoping to retire in the near future – which would mean winding down his business and paying off its debts. So they decided it was finally time to sit down and sort out their finances.

A friend of the couple had recently signed up to an equity release scheme, and passed on the company's details. After discussing his circumstances with an adviser, Mr K agreed to take out a "lifetime" mortgage against his home. He borrowed £180,000 in all – about a third of the value of the house.

Unfortunately, both Mr and Mrs K experienced poor health over the next few years. Mrs K developed dementia, and Mr K had several physical health problems. Eventually, both of them were relying on home care visits.

Mr K's niece, Miss L – who had power of attorney for Mr and Mrs K's affairs – contacted the mortgage company. She said she'd been reviewing the couple's finances – and had serious concerns about the lifetime mortgage.

Miss L felt that Mr and Mrs K hadn't really needed the money – and hadn't understood what they were signing up to. In particular, she said they hadn't been made aware of the tax implications. The couple's health problems meant they needed to move into a smaller, more manageable property – and Miss L was unhappy that an early repayment charge would apply.

The mortgage company looked into Miss L's complaint. When they stood by their advice, she asked us to step in.

complaint not upheld

Miss L told us that Mr K didn't remember much about the meeting. But he felt that the mortgage company hadn't properly explained what a lifetime mortgage involved – especially the downsides. To decide whether this was the case, we needed to establish what had been said in Mr K's meeting with the adviser.

... Mr K felt that the mortgage company hadn't properly explained what a lifetime mortgage involved

We asked the mortgage company for their written records of the meeting. According to these, Mr K and the adviser had gone over the money he thought he'd need – first to pay off his business's debts, and then in his retirement. The records said that Mr K had mentioned refitting his kitchen, and that he'd like to set some money aside for yearly holidays with Mrs K.

When we asked Miss L about these plans, she confirmed that Mr and Mrs K had improved their kitchen. And they had taken holidays while they were still physically able to. But she felt that Mr and Mrs K would have had enough money to do these things anyway – as when they took out the mortgage, they'd had considerable savings.

But when we considered the "fact find", there was no evidence that these savings had been mentioned. In fact, the adviser had noted that while Mr and Mrs K had had a lot of equity in their home, they'd had very little cash and savings.

Given that Mr K wanted to pay off his business debts, to have enough money to retire on and to take regular holidays, we didn't necessarily think the amount of the loan was unsuitable. In our view, the adviser could only base their advice on the information they were given.

We also saw from the records of the meeting that Mr K's business accountant had been at the meeting – and had asked some questions to clarify Mr K's tax position. And the mortgage company sent us a letter that they'd sent Mr and Mrs K after the meeting, setting out in detail what had been said and recommended. We noted that the couple had had two months to decide whether to go ahead.

In light of this, we thought Mr and Mrs K would have had enough time and information to consider whether the lifetime mortgage was right for them. They'd also had a financial professional on hand to clear up anything they weren't sure about, including the impact on their tax affairs.

Finally, we turned to Miss L's concerns about the early repayment charge. If Mr and Mrs K's health problems had already begun when they took out the mortgage, we would have expected the adviser to take into account the possibility that they might need to sell their home. But there was nothing to suggest they were having problems at that point.

We carefully considered the terms of the mortgage – and noted that the early repayment charge was clearly mentioned. But whether it applied would depend on the circumstances.

We explained to Miss L that if the charge was applied – and she thought it shouldn't have been – she could raise this separately with the mortgage company. And if she wasn't happy, we'd look into it.

We understood that Miss L was trying to do the right thing by Mr and Mrs K. And we were very sorry to hear they were both in poor health. But we decided that, based on what we'd seen, they hadn't received unsuitable advice. We didn't uphold the complaint.

case study 121/10

consumer complains that she and her husband hadn't understood the terms of the lifetime mortgage they were sold

Mr and Mrs R were in their early seventies and retired. They each had a private pension, but decided to find out how they might increase their income.

During a meeting with a financial adviser, Mr and Mrs R agreed to take out a lifetime mortgage of £100,000. Following the adviser's recommendation, they cashed in their endowment policies to pay off their existing mortgage. Over the next few years, they used some of the money to buy a new car, refit their bathroom and kitchen, and visit family in New Zealand.

Eight years after taking out the lifetime mortgage, Mr R died. Mrs R, alone in a three-bedroom house, decided she'd prefer to buy a small flat in a nearby retirement village – which meant paying off the lifetime mortgage.

At that time, around £50,000 of the loan was still left. But because she wasn't moving into long-term care, Mrs R had to pay an early repayment charge of £25,000. Adding the interest that had accumulated over the years, paying off the mortgage cost her nearly £250,000.

Horrified at this amount, Mrs R complained to the financial adviser. She felt the terms of the mortgage hadn't been properly explained to Mr R, who'd dealt with all their financial affairs at the time. They hadn't understood how the compound interest would rack up.

Mrs R said that Mr R had thought – and had explained to her – that the arrangement was just like an ordinary bank loan. She said he wouldn't have gone ahead with it if he'd known how things could turn out.

But the adviser defended their recommendation – and the complaint was referred to us.

complaint upheld

Because it had been Mr R who met with the adviser, we didn't have an account from the customer's perspective of what had been said. But we thought the way he'd described the loan to Mrs R was probably a good indication of how he'd understood it.

However, that didn't necessarily mean the adviser had done anything wrong. We needed to establish what the couple's circumstances had been at the time, and whether they'd received appropriate advice.

We carefully considered the information that the adviser had recorded about Mr and Mrs R's finances. It appeared that their outgoings had been around £1,000 each month – including their existing mortgage, which had had three years left to run. They'd also had around £35,000 in various savings accounts and premium bonds.

So overall, Mr and Mrs R had been in a fairly comfortable situation. Although they'd had a mortgage, they'd had endowment policies in place to pay it off. After their outgoings, they still had around two thirds of their income left each month.

We noted that, eight years on, half the money raised by the lifetime mortgage hadn't been spent. And the part that had been used had been spent in fairly small amounts. Looking at the couple's financial position, we thought they could have afforded these expenses without the loan. Even if Mr and Mrs R had needed extra money, we thought there would have been cheaper ways of getting the small sums they were spending each time.

In our view, paying off their existing mortgage with their savings and replacing the capital by releasing equity was a very expensive way for Mr and Mrs R to raise money. It cost them far more than keeping up the repayments on their existing mortgage, which they weren't struggling to do. And after three years, their existing mortgage would have been repaid – and their monthly outgoings would have reduced anyway.

In all the circumstances, we decided Mr and Mrs R should never had been sold the lifetime mortgage. So we needed to make sure Mrs A wasn't out of pocket.

... Mr C was taken aback at how much he owed

When she sold her house, Mrs R had been left with considerably less equity than she would have had if the couple hadn't taken out the lifetime mortgage.

So we told the adviser to pay the difference between a) the balance of the sale that went ahead, *and* b) what the balance would have been if Mrs R hadn't had to pay off the lifetime mortgage – taking off what the couple had already spent.

case study 121/11

consumer complains about advice to take out a lifetime mortgage – saying he could have used pension lump sum

When Mr and Mrs C were in their early sixties, they decided to buy a motorhome so they could take their grandchildren on holidays. Mr C searched online for ways they might get some extra money, and came across a website talking about equity release. Thinking this might be an option, he phoned the company and arranged a meeting with one of their advisers.

During the meeting, the adviser recommended that Mr and Mrs C take out a lifetime mortgage. They agreed to borrow £25,000 – which they used to buy a motorhome as they'd planned.

At that time, Mrs C had already retired, and Mr C was still working part-time.

When Mr C retired a couple of years later, he decided to pay off the lifetime mortgage using a tax-free lump sum from his pension. But he was taken aback at how much he owed – around £40,000.

Mr C felt he'd received bad advice – and complained to the equity release company. He said that he hadn't realised until he retired that he could have taken his lump sum ten years earlier, aged 55. But he couldn't remember the adviser even asking about his pension.

He felt, looking back, this would have been a far better move than taking out the lifetime mortgage. He didn't think it was fair he was having to pay so much interest and an early repayment charge for something he hadn't needed in the first place.

The company replied that the push to take out a lifetime mortgage had come from Mr C – not their adviser. They said Mr C hadn't mentioned his pension – or that the couple had any other way of funding the motorhome. So in their view, the adviser hadn't done anything wrong.

However, Mr C disagreed – and asked us to step in.

complaint upheld

To decide whether the adviser's recommendation had been right for Mr and Mrs C, we needed to find out more about their circumstances at the time. So we asked the equity release company for their records of the meeting with Mr C.

We saw from the records that the ability to repay early was listed as one of the couple's priorities. In fact, the adviser's notes suggested that Mr C had said he was likely to do this.

In light of this, we weren't sure that a lifetime mortgage was right for Mr C. It was clear he had wanted flexibility – and something for the short term. But lifetime mortgages are designed to be repaid only when the person taking it out dies or moves into long-term care. As Mr C had found out, the interest and charges means repaying them early can be very expensive.

Mr C thought the adviser should have suggested taking a lump sum from his pension. So we looked at what had been said in the meeting about other possible ways to raise the money for the motorhome.

We found that the adviser had noted that Mr C planned to work until he was 65. It was also noted that if one of the couple died, their pension arrangements meant the other would have enough to live on.

This strongly suggested that the adviser had known about Mr C's pension. But it didn't seem that the adviser had looked into – or mentioned to Mr C – the option of taking a lump sum. This would have been far less expensive. We thought that if the adviser had told Mr C he could take the lump sum, he would probably have chosen that over the lifetime mortgage.

Given everything we'd seen, we decided that Mr and Mrs C had been wrongly advised to take out a lifetime mortgage.

To make sure they weren't out of pocket, we told the equity release company to refund them the extra they'd paid to get the money for their motorhome that way – rather than by taking a lump sum. This was the difference between the original £25,000 and the money they'd had to pay to redeem the mortgage – plus 8% interest.

We also told the company to refund with interest the fees and charges Mr and Mrs C had paid to set up the mortgage.

case study 121/12

consumer complains that mortgage company won't capitalise mortgage arrears

Miss S had to take several months off work with depression. Unfortunately, she began to have trouble paying her bills – including her mortgage, which fell into arrears. Worried about what could happen, she phoned the mortgage company to see if there was anything they could do.

The mortgage company explained that there were two ways they could help. The first was by "capitalising" the arrears – adding them to the original loan. This would increase Miss S's monthly repayment, but prevent arrears charges from being applied to the mortgage.

The second way was switching the mortgage from a repayment mortgage to interest-only – which would reduce Miss S's monthly repayment. But the arrears would stay on the account, with charges applied each month that they remained outstanding.

Miss S said she'd think about how to go ahead – and would phone the mortgage company back to let them know. But a couple of days later, she received a letter from the mortgage company, referring to the phone call and saying she needed to pay £75 to go ahead with the arrangement.

Miss S hadn't been expecting to hear anything so soon. But she wanted to get her financial situation sorted out as quickly as possible – so sent off a cheque the next day.

However, the next month, Miss S received a phone call from the mortgage company – reminding her that her account was in arrears and asking her to pay. Miss S was very confused. She explained that she thought she'd paid a fee to capitalise her arrears.

When the mortgage company checked their records, they told Miss S that her mortgage had been switched to interest-only – and that was what the fee had been for. But they said the arrears hadn't been capitalised, so she'd need to pay them – as well as the fees and interest on top.

Miss S felt the mortgage company had misled her about what was happening to her account – so it was their fault the arrears were still there. The mortgage company admitted they could have communicated the situation better to Miss S. But they said they wouldn't capitalise the arrears until she'd paid at least some of them back.

Miss S knew she couldn't afford to pay back what the mortgage company was asking for. Increasingly worried, and not sure what to do, she visited her local Citizens Advice Bureau. With the bureau's help, Miss S complained that she hadn't been treated fairly.

But the mortgage company didn't reply to the complaint. Instead, they continued to phone Miss S about her debt – and to apply interest and charges to her mortgage. 18 months after Miss S had first contacted the mortgage company, she asked us to step in – saying she was at her wit's end.

complaint upheld

We could see there'd been a breakdown in communication between Miss S and the mortgage company. We needed to decide if the mortgage company had done anything wrong – and if they had, what impact this had had on Miss S.

We asked the mortgage company for the letter they'd sent to Miss S after she'd first called them. We found that this didn't specifically mention capitalising the arrears. But we didn't think it was sufficiently clear from the letter that the fee only related to changing the mortgage to interest-only. As the letter began *"Further to our conversation…"*, we could see why Miss S had thought the fee was for both options that the mortgage company had mentioned.

We noted that at the end of the phone call, Miss S had said she'd get in touch with the mortgage company – so the letter had been unexpected. We could understand – given how worried she'd been about her finances – why she'd replied straight away without questioning the fee.

We asked to see Miss S's payment history. From the records the mortgage company sent, we saw that, since she first phoned them, she'd made full repayments every month. That meant her arrears hadn't grown over that time – but the mortgage company had continued to add fees and charges to them.

Miss S sent us bank statements and bills she was behind with. It looked like she was having a lot of trouble with her finances – and we were pleased to hear that Citizens Advice and a debt charity were helping her sort things out.

In our view, Miss S had gone to a lot of effort to keep up with her mortgage repayments. And we agreed with her that it wasn't fair for the mortgage company to expect her to pay off her arrears.

She'd been paying her mortgage – so the arrears, apart from the fees and charges, weren't any larger than when the mortgage company had offered to capitalise them. We could appreciate how frustrating this must have been for Miss S.

We asked to see the mortgage company's records of their contact with Miss S. We found they'd received the complaint – as well as Miss S's authority to talk to Citizens Advice about it. We also noted that Miss S had told them about her depression in her first phone call. We were concerned that the mortgage company hadn't acknowledged the complaint. And given Miss S had been honest and upfront about what she was going through, we thought they'd acted insensitively.

In all the circumstances, we decided the mortgage company should refund all the charges they'd applied to Miss S's account since she first got in touch with them. We told them to capitalise her arrears as they'd initially offered – and to make sure her credit file didn't reflect any fees and charges that had been unfairly applied.

The mortgage company also agreed to compensate Miss S to make up for the unnecessary worry caused by their poor communication and handling of her complaint.

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Q? &A

As you're not a government body, do you have to answer freedom of information requests?

Yes, we do. We've been subject to the Freedom of Information Act since November 2011, when we were designated a "public authority" – at the same time as the Association of Chief Police Officers (ACPO) and the Universities and Colleges Admissions Service (UCAS).

But we've always tried to be as transparent as possible about how we work – since we were set up in 2001. On our website, you'll find information ranging from how we're funded and what complaints we've received, to who works for us and which other organisations we work with. So before making an official request, it's worth checking whether your question's already been answered.

I've seen the new part of your website about payday loans. I appreciate it's a good thing to encourage people to get help, but aren't debt problems out of your remit?

We know that, for some people, getting help with debt worries feels embarrassing or overwhelming. And making a "formal complaint" to a business isn't always the obvious first step – and could be intimidating. But if someone's in debt, it's likely they've been lent to by a business we cover.

And it's important they know that we can step in if they feel that business has treated them unfairly.

You're right in that it's not our job to offer debt advice. So we work closely with StepChange, the free debt charity, and the Money Advice Service – to make sure people who come to us are supported to sort out their finances once and for all.

We were doing this long before payday loans became a high-profile issue. And we work in a similar way with many other organisations – from Age UK and Samaritans, to Macmillan and the MS Society.

Why are you on Twitter?

Millions of people use Twitter. Like other social networks (where you'll also find us) it's an easy way to ask questions – and an easy way for us to give answers and share news. And if we can't help, we can quickly direct people to someone who can.

upcoming events ...

for smaller businesses

PPI complaints and the ombudsman	5 November	Bromsgrove
meet the ombudsman roadshow	6 November	Derby
	19 November	Sheffield
	3 December	Woodford Green (Essex)
for consumer advice workers workingtogether with the ombudsman	11 November	Birmingham
	20 November	Milton Keynes
	25 November	Bristol
	2 December	Manchester
	10 December	Watford

For more information – and to book – go to news and outreach on our website.

ref: 838/pc

Financial Ombudsman Service