ombudsman news

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

Financial Ombudsman Service

the generation game

Caroline Wayman
chief ombudsman

Alongside unexpected political events, intergenerational fairness has been a persistent theme of the last year or so. The question of whether younger people are worse off than their parents and grandparents has sparked media conversations, think-tank reports, and an ongoing Parliamentary inquiry.

And the broader social trends underlying the debate – spanning money, lifestyles and longevity – will be reflected in the way people engage with financial services, and inevitably in the problems we see. With lifespans increasing, the ongoing challenge for the financial services sector – including its regulators and us – will be to keep up with the pace of change.

Mortgages are just one example. A little over a year ago, we highlighted the complaints we'd received from people who felt unfairly treated because of their age. Many of these people had unsuccessfully tried to change or apply for mortgages. And in this *ombudsman news*, our ombudsman Simon Pugh reflects on what's happened in the meantime.

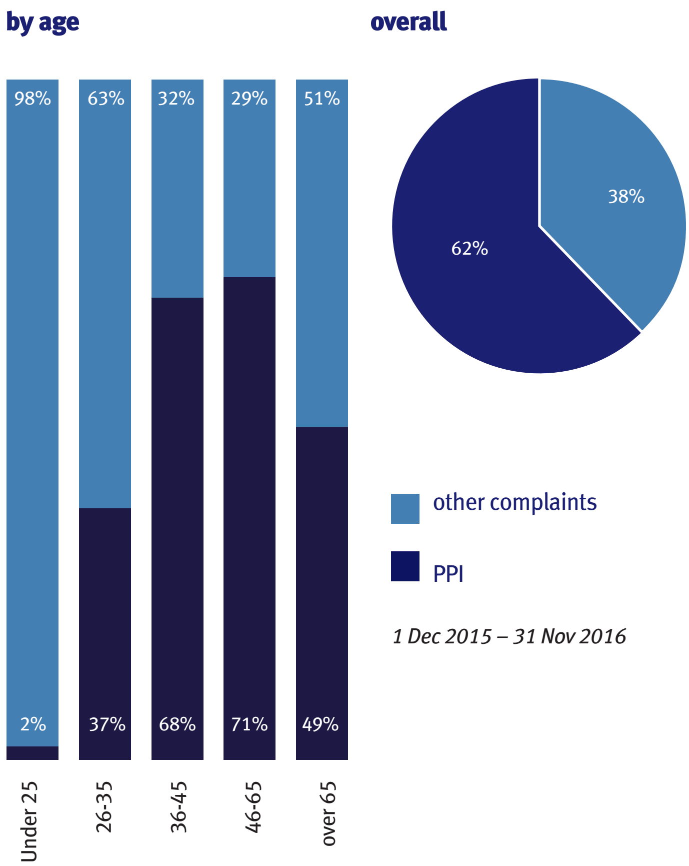
At the other end of the scale, we've also shared the problems we see involving people aged under 25. Although PPI is still by far the issue people complain to us about the most, it barely features at all among younger consumers' complaints. I very much hope generations to come don't experience a similar mis-selling scandal.

Yet being young, just like being older, undoubtedly comes with particular financial challenges – ranging from trying to reduce the typically higher costs of motor insurance, to the risk of getting caught up in fraud.

As we said in our plans and budget consultation – which closed last week – we'll continue to share our insight into what we're seeing. And we're open to suggestions about how we can do that most effectively. Many thanks to everyone who took the time to respond – and we're looking forward to sharing our finalised plans next month.

Caroline

proportion of resolved PPI complaints, compared with other complaints

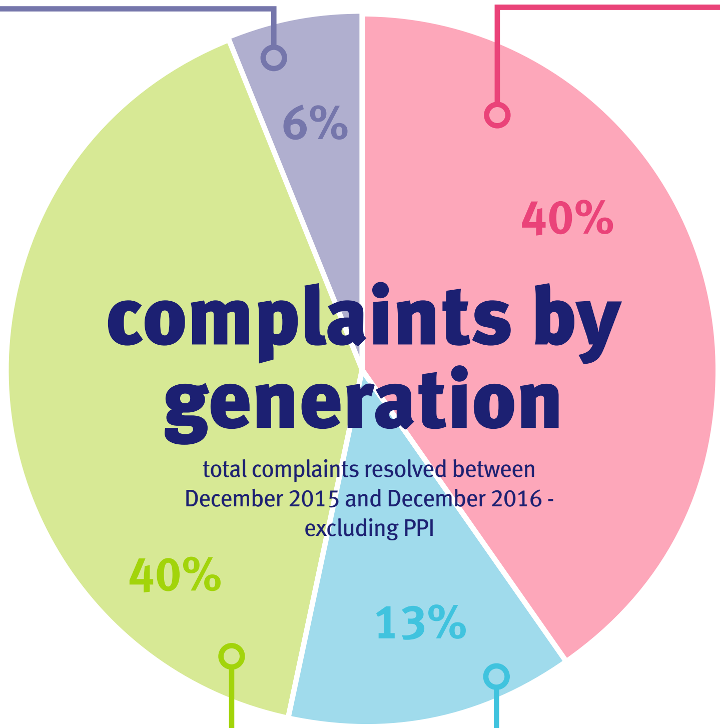


... I very much hope generations to come don't experience a similar mis-selling scandal.

in this issue

complaints by generation

total complaints resolved between December 2015 and December 2016 - excluding PPI



complaints from pre-babyboomers *(born pre 1946)*

top 10

packaged bank accounts	14%	1
current accounts	9%	2
buildings insurance	7%	3
credit card accounts	6%	4
house mortgages	5%	5
car/motorcycle insurance	5%	6
travel insurance	5%	7
whole-of-life	4%	8
deposit/savings accounts	3%	9
portfolio management	2%	10

oldest consumer – Mrs D, 99

Mrs D, 99, told us her son, who had power of attorney over her bank account, couldn't use telephone banking - apparently because he lived in France. We found the bank had communicated poorly and caused a lot of inconvenience – and told them to pay compensation to make up for it.

complaints from generation X *(born 1965-1980)*

top 10

packaged bank accounts	27%	1
house mortgages	9%	2
current accounts	8%	3
car/motorcycle insurance	7%	4
credit card accounts	5%	5
payday loans	4%	6
overdrafts and loans	4%	7
hire purchase	3%	8
buildings insurance	3%	9
term assurance	2%	10

complaints from babyboomers *(born 1946-1964)*

top 10

packaged bank accounts	22%	1
house mortgages	8%	2
current accounts	7%	3
car/motorcycle insurance	5%	4
credit card accounts	5%	5
buildings insurance	4%	6
overdrafts and loans	3%	7
term assurance	3%	8
personal pensions	3%	9
travel insurance	2%	10

youngest consumer – Miss F, 12

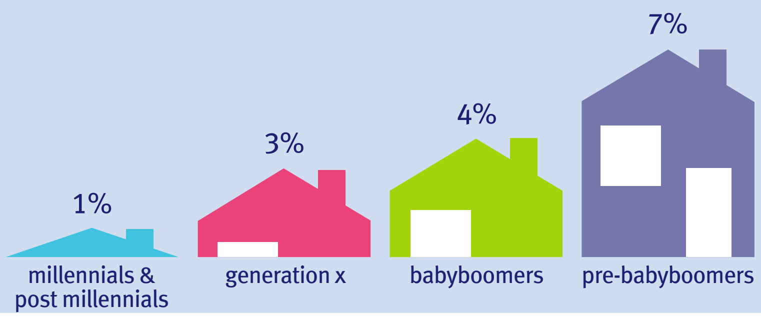
Miss F, 12, had been wrongly told she couldn't register for online banking. Her father, Mr F, complained to the bank – and then to us – about the poor customer service she'd received. After looking into how the bank had responded to Mr F's concerns, we explained that we thought they'd already made a fair offer to make up for the mistake.

complaints from millennials and post millennials *(born 1980 onwards)*

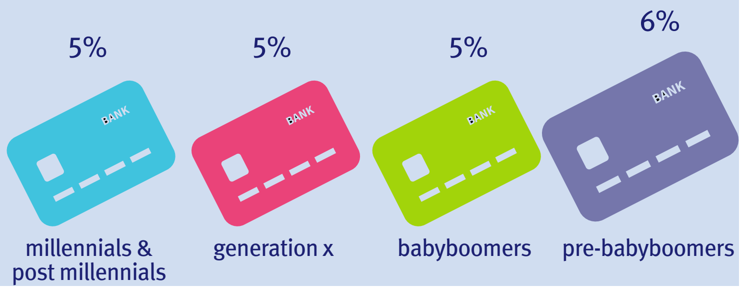
top 10

packaged bank accounts	21%	1
current accounts	13%	2
payday loans	12%	3
car/motorcycle insurance	10%	4
hire purchase	5%	5
credit card accounts	5%	6
house mortgages	5%	7
overdrafts and loans	4%	8
point of sale loans	2%	9
travel insurance	1%	10

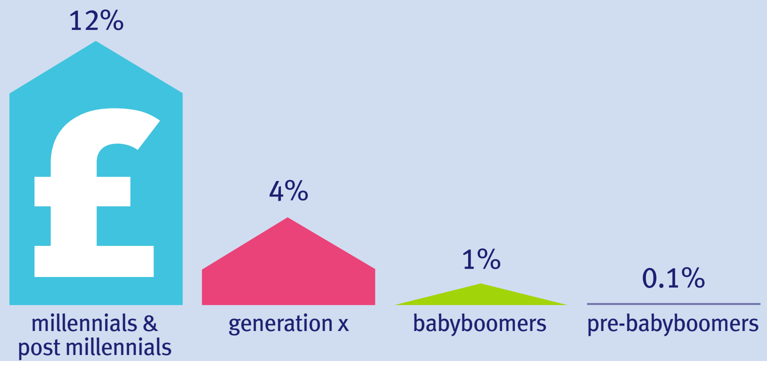
building insurance *(% of each generation's complaints, excluding PPI)*



credit cards *(% of each generation's complaints, excluding PPI)*



payday loans *(% of each generation's complaints, excluding PPI)*



complaints involving people aged under 25

Given the wide range of life events people experience from middle age and into retirement – and the wide range of financial services these typically involve – it isn't surprising that "generation X" and "baby boomers" together account for 80% of complaints we resolved in the year to December 2016.

In contrast, younger consumers bring far fewer complaints to us. Consumers aged 25 and under – spanning the millennial and post-millennial generations – accounted for less than 1% of complaints.

Of course, these differences might simply reflect that the younger people are, the less engagement they've generally had with financial services. But when they do, their first impressions may set the tone for their future attitudes towards managing their money. And just like older generations, younger generations may face challenges relating specifically to their age.

complaints brought to us by under 25s

(excluding PPI complaints)

car/motorcycle insurance	22%	1
current accounts	20%	2
payday loans	9%	3
hire purchase	8%	4
packaged bank accounts	5%	5

top 5

car and motorcycle insurance

Car insurance premiums for the youngest drivers – aged 17-22 – are nearly double those of drivers aged 23 and over, and nearly triple those of people in their 30s[1]. So it's understandable that young people look for ways to keep their costs down. This may result in what's known as "fronting" – where a parent tells their insurer they're the main driver, but it's actually their child. Parents might not realise they're doing anything wrong. But if the insurer cancels the policy – which they may be entitled to do – it can lead to trouble getting insurance in the future.

consumer complains that insurer has cancelled policy and accused her of "fronting" – because car is actually owned by her son

Mr H was involved in a serious car accident with two other cars. Following an investigation, the insurer contacted Mr H's mother, Mrs H, who was the policyholder. They said they believed Mrs H and her son had been "fronting" – that is, that Mr H was actually the main driver of the car, but that Mrs H had said it was hers to get cheaper premiums. So they were cancelling the policy as if it had never existed.

The insurer also explained that they had an obligation to pay the other drivers' claims arising from the accident – and that they'd be looking to reclaim the money from Mrs H.

Mrs H complained to the insurer. She said that even if she'd made a mistake on the application, the insurer wasn't being fair or proportionate. When the insurer didn't respond to her complaint, Mrs H phoned us.

putting things right

We asked the insurer what information they'd based their decision on. They showed us that Mrs H had said on the online application form that she was the "registered keeper" of the car. But when they'd investigated the claim, she'd told them that the car was registered in her son's name. And this had been confirmed to the insurer by the DVLA.

We checked the application form – and decided that the insurer had asked a straightforward question about the name of the car's registered keeper. When we asked Mrs H about this, she said that as she'd been paying the insurance premiums and the car's running costs, she'd just assumed she was the registered keeper.

We asked the insurer if they would have provided cover if they'd known Mr H was in fact the registered keeper of the car. They said they wouldn't have. They sent us the policy terms and conditions, which clearly said that a vehicle could only be registered in the name of *the policy holder or their spouse.*

Mrs H argued she'd just made a simple mistake on the application form. However, we thought the situation was more serious. We told Mrs H that, even if she hadn't set out to deliberately mislead the insurer, we thought she'd been very careless in filling out the application form. The insurer wouldn't have offered cover if they'd known she wasn't the car's registered keeper – so it was fair for them to treat the policy as if it had never existed.

The insurer had already offered Mrs H £50 for the poor handling of her complaint, which we thought was reasonable in the circumstances.

case study 139/1

[1] AA British Insurance Premium Index, Q4 2016

By using telematics or "black box" technology, young people can demonstrate they're driving safely – and get lower insurance premiums as a result. As these devices have grown in popularity, we've seen them feature in complaints involving younger drivers.

young driver complains that insurer has wrongly cancelled car insurance – after telematics box reports speeding

Mr L, aged 19, took out a car insurance policy which required him to have a telematics box fitted to his car to record his driving habits.

A short time afterwards, Mr L received a letter from the insurer saying they would be cancelling his insurance within seven days. They quoted a clause in the policy that allowed them to do so where a driver broke the speed limit. According to the insurer, the telematics box had recorded that, on two occasions in the same journey, Mr L had travelled at 65 mph in a 30 mph zone.

Mr L's father phoned the insurer, saying that the telematics box must be wrong, because there was no way Mr L could have reached those speeds on those particular roads. He also complained that the clause the insurer had referred to wasn't in the policy documents.

At first, the insurer said that if Mr L cancelled his policy before the date in their letter, the incident wouldn't be on his record. But before Mr L could try to do so, the insurer cancelled the policy themselves.

Feeling his son had been treated unfairly, Mr L's father asked us to step in.

putting things right

We asked Mr L's father why he believed the information from the telematics box was wrong. He sent us calculations that he said showed it would have been impossible for Mr L to have gone over the speed limit in the places where the telematics box said he had.

We asked for the insurer's view on Mr L's father's calculations. They felt he had misunderstood the data and provided comments from an engineer explaining how the car could have accelerated. They also sent us a report showing the box had been installed correctly and was connected to a sufficient number of satellites to work properly. We decided that, on balance, the data from the telematics box had been accurate.

We then asked the insurer for copies of their policy documents. We agreed with Mr L's father that the paperwork didn't specifically say that the insurer could cancel a policy if a driver broke the speed limit. But it did clearly say the insurer could cancel if the data from the telematics box identified *"unacceptable driving behaviour"*.

The insurer hadn't defined exactly what this meant. But in our view, there was no question that doing more than double the speed limit was unacceptable driving.

The insurer accepted that their helpline had been wrong to say the incident wouldn't go on Mr L's records if he cancelled his policy himself. We considered whether Mr L was worse off because of this mistake. But we concluded that he'd be in the same position if he hadn't been told this– as the cancellation would still be on his records.

Given everything we'd seen, we didn't agree Mr L had been treated unfairly.

case study 139/2

current accounts – “money mules”

There’s evidence that younger people are particularly at risk of unwittingly getting caught up in financial fraud. According to the fraud prevention service Cifas, over half of “misuse of facility” fraud involves people aged under 30. This generally involves, knowingly or otherwise, acting as a “money mule” – allowing criminals to launder money through your account in return for a cash payment.

consumer complains that bank has closed her account – after suspecting her involvement in fraud

Miss K, aged 21, suddenly found she couldn’t use her debit card or mobile payments – and that her online banking had been blocked. When she phoned her bank, she was told her current account and ISA had been closed. And the next day, she received a letter confirming that they no longer wanted her as their customer.

Over the next few weeks, Miss K tried to find out what had happened. She also tried to open new accounts with different banks. When both proved unsuccessful – worried she had no way of being paid or covering her bills – she phoned us.

putting things right

Miss K told us that in her phone call with the bank, she’d got the impression that they were concerned about money going into her account from a job she’d recently had. She said some of the banks she’d unsuccessfully tried to open accounts with had referred to “Cifas”. But she hadn’t really known what this was – and thought she might be asked to pay for something when she had no way of doing so.

We asked the bank for more information about their decision to close Miss K’s accounts. They showed us that her current account had regularly been receiving large amounts of money, which had then been moved out again to different accounts almost immediately. The bank explained that because of this activity, they’d suspected Miss K was involved in fraud – and had put a Cifas marker on her records.

In light of this, we asked Miss K more about the job she’d mentioned. She said she’d found it on a classified ads website – and of all the applications she’d sent off, that employer had been the only one to reply. She said she’d been taken on as a PA to a management consultant. Among other admin tasks, she’d been asked to receive money into her bank account and to send it onto her boss’s clients. She said it wasn’t the job she’d hoped for, but she’d really needed the money.

We looked carefully at the whole email exchange between Miss K and her boss. Given the volume and general tone of these messages, we could understand why Miss K had thought the job was legitimate. We explained to Miss K that we thought it was very likely that her employer had been a fraudster – and it seemed her bank thought so too.

But there was no evidence to suggest she’d been knowingly involved in fraud. So in the circumstances, we told the bank to remove the Cifas marker from her records.

case study 139/3

The consequences of being a "money mule" can be extremely serious – in some cases, leaving young people with a criminal record that has an impact into their adult life. Those who contact us often do so after their bank closes their account without warning – and they discover they've got a fraud marker on their records.

young consumer complains that bank has put Cifas marker on his records following fraudulent activity on his account

Mr H, aged 18, received a letter from his bank explaining that they'd decided to close his account. After Mr H had difficulty opening a bank account elsewhere, he complained that the bank had put fraud markers on his file. He said he'd lost his debit card and been a victim of identity theft – but hadn't been involved in fraud himself.

However, the bank wouldn't remove the markers – and Mr H contacted us.

putting things right

In their letter to Mr H, the bank hadn't given any detail about why they'd blocked his account. So we asked them to tell us how they'd reached their decision.

The bank explained that Mr H had rarely used the account since opening it three years previously. They felt the fact he'd paid in £100 just before the fraudulent transactions happened meant he was clearly complicit in the fraud.

On balance, we didn't agree. We pointed out that the £100 payment wasn't necessarily connected to the subsequent transactions. It was possible that it was a payment Mr H had received from the fraudsters in return for using his bank account. But in itself, it wasn't sufficient evidence that he'd been involved in the fraud. And it wasn't fair for the bank to apply a fraud marker based on suspicion alone.

In the circumstances, we decided a fair solution was for the bank to remove the fraud marker from the open record about Mr H – but that it could be retained for the bank's own internal records.

case study 139/4

... "The real consequences of committing this kind of 'Misuse of Facility' fraud includes the risk of a conviction for money laundering, which carries a maximum prison term of 14 years. Additionally it could affect future applications for mortgages, credit cards, mobile phones and student loans.

"We have clear rules that our members need to follow to make sure that individuals are only recorded where they were complicit in the fraud."

Cifas – www.cifas.org.uk

Financial businesses that are members of Cifas record and share information through the National Fraud Database. People who contact us often do so after a business closes their account without warning – and they then discover they've got a fraud marker on their record.

consumer complains that bank has closed her current account and put her name on Cifas database – so she can't open an account elsewhere

Ms M, a college student, found she couldn't withdraw cash or check her bank balance. When she phoned her bank, they asked her to come into one of their branches to discuss the situation.

When Ms M visited her local branch, she was told that a fraud marker had been put on her account due to a transfer and withdrawal she'd made. She was told her account was being closed and she'd need to bank elsewhere in the future.

Ms M tried to open another account with several other high street banks, but was turned down. An adviser with one bank told her that they couldn't approve her application because of a warning on the Cifas database. They said she'd struggle to open an account elsewhere, too.

Ms M's mother, Mrs M, complained to the bank that had closed her current account. But the bank replied that they'd acted fairly and in line with their legal and regulatory obligations. Worried her daughter was now without a bank account, Mrs M phoned us.

putting things right

We asked the bank for more information about why they'd applied the fraud marker. They said that Ms M's account had received £800 – and they'd been told by the bank the money had come from that the transfer was fraudulent. The money had been withdrawn the same day using Ms M's card and PIN.

The bank said that when they'd phoned Ms M about the transactions, she'd told them that the money had originally come from a "friend of a friend". Because of this, the bank believed Ms M was involved in the fraud. So they felt closing the account and reporting the issue to the Cifas had been appropriate actions.

We then asked Ms M's mother about what had happened. She said she hadn't known these details until her daughter's complaint had been brought to us. But she said that at that time of the transaction, Ms M had been experiencing severe bullying in college, including having her personal possessions stolen, and was under the care of the local community mental health team for anxiety and depression. She said that if her daughter had got caught up in fraud, it was likely to have been under duress.

Mrs M and Ms M agreed that we could share this information with the bank. In the circumstances, they agreed that to help Ms M get things back on track, they'd remove her name from the Cifas database – although not from the bank's own records.

So while she wouldn't be able to bank with them again, she should be able to get an account elsewhere. We explained this to Ms M and her mother, who were pleased to accept the offer.

case study 139/5

young consumer complains that bank has closed account and applied Cifas marker – following fraudulent activity

Miss D, a 16 year-old sixth-form student, received a letter from her bank saying they'd blocked her current account and would shortly be closing it. When Miss D's mother – Mrs D – phoned the bank to question this, she was told two large amounts of money had been paid into the account.

The bank said another bank had contacted them about the payments, which they believed had been fraudulently paid into Miss D's account by one of their own account holders.

Miss D's mother asked the bank to refund the payments and withdrawals her daughter hadn't authorised. But the bank refused to do this. Instead, they closed Miss D's account, paid her the £1 left in it and put her details onto Cifas, the fraud prevention database.

Unhappy with how Miss D had been treated by the bank, Miss D's mother got in touch with us on her behalf.

putting things right

We asked the bank for more details about the disputed transactions. They explained that two payees had been set up online. As part of this, "one time" passcodes had been sent to the mobile number registered to the account – Miss D's mother's mobile.

Two payments of several thousand pounds each had been paid out to these payees around a month later. According to the bank's records, immediately after the payees had been set up, the registered mobile number for the account had been changed to Miss D's own mobile.

The bank's records showed that various bill payments had then been set up, with passcodes sent to Miss D's number. A number of cash withdrawals had been made with Miss D's card and PIN – but she'd only reported the card missing around six weeks later.

We asked Miss D's mother to tell us more about the misplaced card. She pointed us to the date that Miss D had last used the card to get out cash herself – and said it could have gone missing anytime from that point. When we asked Miss D's mother why it had taken six weeks to report the card missing, she said that Miss D rarely used it, so hadn't noticed before then.

We also asked Miss D's mother how she thought a fraudster might have got Miss D's online account details. She said that her daughter's phone had been stolen – and her online bank details were probably stored on it. First, Mrs D gave a date two months before the first disputed transaction took place. She later said that Miss D had lost her phone just before the fraud happened.

In light of everything we'd seen and heard, we weren't convinced that Miss D hadn't authorised the transactions in question. The faster payments had been set up using passcodes sent to the registered numbers on the account – first Miss D's mother's mobile and then Miss D's mobile.

Although Miss D said she'd lost her phone, this didn't explain how a third party had then managed to get her new number and set up further payees. And even if Miss D hadn't used her bank account recently, it wasn't clear why she hadn't questioned receiving mobile passcodes relating to payees she apparently didn't know about.

Similarly, the cash withdrawals had been made using Miss D's own card and PIN. This suggested she'd either made the withdrawals herself, or had given someone else her PIN in order to make them. We could also see from the bank's records that the other bank had said the two large payments had been paid into Miss D's account fraudulently, without the authority of the third party account holder.

In the circumstances, we explained that we didn't think it was unfair for the bank to close Miss D's account or to record her details with Cifas.

case study 139/6

Simon Pugh
ombudsman

mortgages and age: what's in a year?

Just over a year since we published our insight into complaints about treatment based on age, ombudsman manager Simon Pugh explains the developments we've seen in the area of mortgages.

Simon, can you recap the insight the ombudsman shared in 2015?

We shared what we were seeing around 18 months after the introduction of the Financial Conduct Authority's Mortgage Market Review. And it was also around three years since the Equality Act replaced previous legislation designed to prevent discrimination against people with protected characteristics. Unless an exception applies, age discrimination is now unlawful – which wasn't the case under the old legislation. Importantly – as we highlighted at the time – one exception is for how financial businesses use age.

In our review, we looked at complaints we'd resolved over the previous two years or so that were about how consumers had been treated because of their age – two thirds of which involved mortgages. It was clear to us that businesses' and consumers' understanding of the law around discrimination varied considerably. We identified a number of cases where, because of their age, people had experienced difficulties moving home, paying off their mortgages or borrowing more money. And we found a number of examples of businesses making lending decisions that either weren't fair, or hadn't been properly explained.

so is age discrimination an issue in the mortgage complaints you're seeing?

Age-related complaints don't tend to happen in isolation. Often there's a wider trigger – such as someone being unable to repay the capital at the end of a mortgage, or wanting to port their mortgage product when they move house. And they tell us they believe that age is a factor in the lack of options available to them.

It's important to point out that age discrimination isn't necessarily unlawful in financial services – which is something that people who contact us are often surprised to learn. Briefly, because age is such an important factor in designing, pricing and offering financial services, different rules apply to those that apply to other characteristics, and in other industries. However, if a business does carry out a risk assessment where their customer's age is considered, it should refer only to information that's both relevant to assessing the risk and from a source it's reasonable to rely on.

In our 2015 review, we found that there were misunderstandings about this among businesses and consumers alike. And I'd still say that prospective borrowers aren't generally familiar with the law in this area – which isn't that surprising, as you probably wouldn't think too much about age discrimination until you felt it had happened to you. On the other hand, businesses' understanding seems to have been improving – in particular, of what information is relevant and reliable when they're making lending decisions.

so what's changed?

Around about the time we shared our own insight last year, the Building Societies Association published its own perspective on lending into retirement – which was followed in the spring by the FCA's thematic review on responsible lending following the Mortgage Market Review, as well as its wider work on the ageing population. While there's still work to be done, it seems lenders have responded positively to these and other efforts to encourage both responsibility and flexibility in their decisions.

We've certainly seen this reflected in the complaints being referred to us. On the whole, lenders are more willing to work around age limits – which they're entitled to set – particularly for existing customers. They're also applying policy exceptions flexibly. Some of these developments – including some lenders' decisions to revise their overall age criteria – have come about partly as a result of the pragmatic conversations we've had as part of resolving individual complaints.

what problems are you still seeing?

It's been really encouraging to see these improvements. But we're still hearing from people who simply don't understand why a lender has refused their mortgage application. Lenders might not be obliged to explain their reasons. But where they don't, it can be frustrating for customers, who just want to know why they've been turned down at what could already be a stressful time. After all, applying for or changing a mortgage can reflect big life changes, which might be positive or not so positive.

Sometimes the reason comes out during our involvement, and we often find it's then easier for people to understand the lender's decision and move on from it. Equally, explaining their reasoning clearly can help a lender to reflect on their decision – and to identify and acknowledge things that might have gone wrong. And it sometimes turns out that while age isn't the reason for an application being turned down, the lender's poor communication has led their customer to believe it is.

So I think there's still work to be done around the communication of lending decisions – thinking about what the outcome means for that individual customer and, where it's not in their favour, how much they actually could be told about why that is. Of course, lenders might not want to share information that's commercially sensitive. But our experience suggests that the more open the conversations that happen early on, the less chance there is of complaints being escalated.

what about prospective borrowers being discriminated against for being pregnant?

That's something there's been interest about in the media. And it's true that some lending policies might be seen to disproportionately affect pregnant women, because they specify employment criteria it's unlikely someone on maternity leave would meet. For example, a lender might choose to disregard the income of anyone on long-term leave from work who isn't returning to work for three months.

In practice though, we've only seen a handful of complaints from people who feel they've been unfairly treated on the grounds of maternity or pregnancy. Of those we have seen, we've typically found they've arisen from miscommunication on the part of the lender. And we've generally managed to resolve problems informally with lenders – after talking through the fairness of their lending decision in view of their customers' individual circumstances.

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complaints involving mortgages, age and unfair decisions

consumer complains that lender won't extend mortgage term because of joint account-holder's age

When Mr N's mother died, he had the mortgage he held jointly with his parents on the home they shared put into his and his father's names. At the same time, he asked the lender to extend the term by five years – because he was now planning to work beyond the state pension age when it had originally been due to end.

However, the lender said that high levels of debt could cause stress and difficulties, especially in old age – and that the regulator now expected them to be much more careful when lending into retirement. Because Mr N's father was over 90, they refused to extend the mortgage term.

Mr N complained. He pointed out that the original term had been due to end well into his father's 90s – and that his father's share was covered by his pension, which wouldn't change. He said their only alternative would be to sell up and downsize – which would mean his father, who'd anticipated living in the house for the rest of his life, would probably have to move into a care home.

But the lender wouldn't reconsider – and Mr N contacted us.

putting things right

We asked the lender to explain their decision. Initially, they repeated what they'd told Mr N – that his father's age meant they couldn't agree to extend the term.

But on reviewing Mr N's complaint again, the lender accepted that their response had been very general. In fact, the person who'd written to Mr N hadn't even spoken to him to get an idea of his circumstances.

After talking things through with us, the lender offered Mr N an appointment with one of their mortgage advisers to reconsider his application. They also offered him £500 to reflect the upset they'd caused to him and his father by initially rejecting his application without considering it properly.

case study 139/7

consumers complain that mortgage lender has discriminated against pregnant partner on maternity leave

Shortly before their first child was born, Mr L and Ms Q decided to move to a bigger house – and had a mortgage decision in principle from their bank. Before finalising the mortgage, the bank said their underwriters needed more information relating to Ms Q's job at a local school.

The couple provided the details the bank had asked for, and had several further appointments with the bank's mortgage adviser. The mortgage adviser also phoned Ms Q's employer directly. However, the couple were eventually told that their application had been unsuccessful – and that they should try again when Ms Q was back at work after her maternity leave.

Upset, the couple complained – and the bank said they'd review the application. This time, they suggested that Ms Q's fixed-term contract might be something to do with their underwriters' decision – but they still wouldn't reverse it.

Feeling they'd been discriminated against, Mr L and Ms Q then emailed us.

putting things right

We asked the bank how they'd reached their decision. They said that under their lending policy, someone on a fixed-term work contract had to have already been with their employer for 12 months, and have six months left on their contract, in order to take out a mortgage. Ms Q's contract was coming to an end, so she hadn't met these criteria.

We reviewed the information that Mr L and Ms Q had provided about Ms Q's job. We saw that when they'd applied for the mortgage, Ms Q had been on a year's fixed-term contract with less than one month remaining. So the bank were right to say that she hadn't met their criteria.

However, Ms Q's employer had confirmed that her contract would definitely be renewed. And she'd been due to go back to work after four months' maternity leave – three months into her new contract. So the bank could have simply deferred the application by a couple of weeks, when Ms Q would have been into her new contract and meeting the lending criteria.

From the bank's internal records, we saw the underwriters had pointed this out to the mortgage adviser. But Mr L and Ms Q hadn't been told this.

And – despite this – the records also showed that Ms Q had been told to reapply once she was "back from maternity leave". So it wasn't surprising that she believed she'd been treated unfairly because she was on maternity leave.

We told the bank to look again at the couple's mortgage application – and to pay £500 to reflect the problems and upset caused by their poor service and communication.

case study 139/8

consumers say that their lender has discriminated against them because of their age – and won't offer an extension on their mortgage term

Mr and Mrs T had an interest-only mortgage that was due to end in eight years' time. They were planning to repay some of the mortgage balance with an endowment policy, but knew there'd be a shortfall.

Wanting to address this, they spoke to their lender to see if they could extend the mortgage term to 20 years, adding 12 years to the term. But the lender said they could only extend the mortgage term by four years – and that if the couple wanted a longer term, they'd have to look elsewhere for another deal.

Mr and Mrs T complained. The lender responded that the law allowed them to make decisions based on age. They said that when considering term extensions, they looked at the age of the oldest account holder. And they could only extend the mortgage term by four years as this was when Mr T, the oldest borrower, would turn 65, which was his intended retirement age.

Mr and Mrs T felt that this was age discrimination – and asked us to look into whether they'd been treated unfairly.

putting things right

Mrs T told us that she'd still be working for some time after her husband retired – and that her income would be enough to maintain their mortgage payments. She said they were currently supporting their three grown-up children financially, but they'd have more spare cash in the future.

We asked the lender if they'd considered this. They accepted that they'd not been as clear as they could have been. They said the terms and conditions of the couple's particular mortgage said that it couldn't be extended past the age of 65.

However, the lender said they were now prepared to look at whether a different mortgage deal would be right for Mr and Mrs T – as some of their mortgages could be extended up to the age of 75.

We let Mr and Mrs T know what the lender had offered – explaining that we thought this was a practical way to try to sort things out. They told us they were relieved that they had options and would be happy to meet with their lender to discuss the best way forward.

case study 139/9

consumer complains that bank has rejected mortgage application as he's over their age limit

When Mr J was interested in buying a house, he contacted his bank to discuss his mortgage options. The bank set up an appointment with one of their advisers. But a few days before the scheduled appointment, the bank called Mr J to cancel it – saying that they couldn't offer him a mortgage as he'd soon be over 70.

Disappointed, Mr J complained. Having reviewed what had happened, the bank acknowledged they'd made a mistake. They said the mortgage adviser had checked the age policy for lending, but had cancelled Mr J's appointment without taking into account whether there were any exceptional circumstances – which was also allowed for under the policy. They apologised for this error and offered Mr J £300 to reflect the upset they'd caused.

However, Mr J remained unhappy – and asked us to look at the bank's response.

putting things right

We asked the bank to clarify their position around lending. They confirmed that they could lend past the age of 70 if someone could show they'd still have a sustainable income to pay their mortgage beyond that age.

We could see why Mr J was upset at how he'd been dealt with. We explained to Mr J that, in our view, the bank had already offered fair compensation to make up for their mistake. But we told the bank to arrange another appointment with Mr J – so he had the chance to give them more details about his individual circumstances, and they could make a decision based on the full picture.

case study 139/10

consumers complain that lender has discriminated against them based on age – by not porting mortgage that runs into retirement

Looking to move house, Mr and Mrs E contacted their mortgage lender – their bank – and asked to port their mortgage. Their new property was slightly more expensive, so they wanted to increase their mortgage balance a little.

However, the bank refused their application – pointing out Mr A had changed his retirement age from 70 to 65 between first taking out the mortgage and asking to port it. This would mean the mortgage would run into his retirement. The bank said they felt this was a significant change – and would mean that the new mortgage wouldn't be affordable once they retired.

The bank asked Mr and Mrs E for details of how they intended to repay the new mortgage – and, not satisfied that they could, offered them a mortgage on a shorter term so it would finish by their retirement. But Mr and Mrs E decided to use a different lender instead – incurring early repayment charges, as well as the new lender's product fee.

The couple then complained to the bank that the decision was unfair – and that they'd been discriminated against. They pointed out that the mortgage they already had took Mr E over the age of 65, which hadn't been an issue when they took it out.

When the bank wouldn't change their position or refund the fees, Mr and Mrs E contacted us.

putting things right

Looking at the paperwork about the old and new mortgages, we confirmed that Mr E had reduced his retirement age from 70 to 65 between the two applications. Given Mr and Mrs E's changed retirement plans and the fact that they wanted to increase their mortgage balance, we agreed that it was right to consider whether they'd be able to afford their mortgage once they'd retired.

And having looked into Mr and Mrs E's circumstances – including the fact Mr E's income would now be dropping significantly before the end of the mortgage term – we didn't think it was unreasonable for the bank to turn down their application.

We told Mr and Mrs E that, from what we'd seen, we didn't think they'd been discriminated against based on their age. Instead, the bank's decision was about the affordability of the mortgage they were asking for. It was reasonable for the bank to think about their situation over the whole term – which meant taking into account their retirement income.

The bank had tried to help by offering Mr and Mrs E an alternative mortgage – and the one they'd gone on to accept with a different lender was on very similar terms to what they'd been offered.

We didn't ask the bank to reconsider their decision – or to refund the fees Mr and Mrs E had incurred.

case study 139/11

consumer complains lender won't extend mortgage term because he'll be borrowing into retirement

Mr B had recently turned 65 and was still running his own business. Aiming to retire at 70, he asked his mortgage lender to extend his mortgage by five years.

However, the lender declined his request. They acknowledged Mr B had substantial income from his work, but explained that when a customer was within ten years of retirement, the lender's policy was to take into account only their retirement income.

The lender pointed out that if Mr B's circumstances were to change and he no longer worked, his pension would be his only income. And they said that, based on his pension income alone, he didn't meet their lending criteria.

Mr B managed to remortgage elsewhere – but complained that he'd been discriminated against because of his age. Unhappy with the lender's response repeating their position, he asked for our view.

putting things right

We asked the lender for further details about their lending criteria – pointing out that it appeared they hadn't looked into Mr B's individual circumstances. We asked why they would only look at his pension income – when he had no plans to retire during the extended mortgage term, and there didn't seem to be any reason to believe he wouldn't be able to carry on working.

The lender accepted – having now reviewed Mr B's situation – that they'd applied their criteria too rigidly. They said that since Mr B had raised his complaint, they'd provided staff with guidance to make sure customers' individual circumstances were taken into account.

On reflection, the lender didn't think Mr B's application should have been declined. But since Mr B had already remortgaged with someone else, it was now too late for them to put things right by extending his term. We suggested that, in the circumstances, they compensate him for the frustration and inconvenience they'd caused – and they agreed to pay him £500.

case study 139/12

third quarter statistics

a snapshot of our complaint figures for the third quarter of the 2016/2017 financial year

Each quarter we publish updates about the financial products and services people have contacted us about. We include the number of enquires we've received, the number of complaints referred for an ombudsman's final decision, and the proportion of complaints resolved in favour of consumers.

In this issue we look at the third quarter of the financial year 2016/2017. We show the new complaints we received during October, November and December 2016 – as well as the complaints we've received so far this financial year, between April and December 2016.

Between October and December 2016:

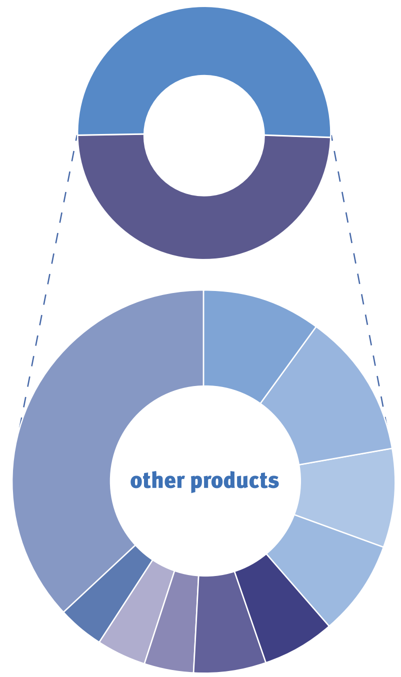
- We handled 122,284 enquiries from consumers, taking on 70,908 new cases – with 9,642 complaints passed to an ombudsman for a final decision.
- PPI remained the most complained-about financial product, with 36,065 new cases. Packaged bank accounts were the second most complained about product, with 3,785 new cases.

the financial products that consumers complained about most to the ombudsman service October, November and December 2016

view the full table below

- payment protection insurance (PPI) 51%
- complaints about other products 49%

- packaged bank accounts 5%
- current accounts 6%
- car and motorcycle insurance 4%
- payday loans 4%
- house mortgages 3%
- credit card accounts 3%
- overdrafts and loans 2%
- hire purchase 2%
- buildings insurance 2%
- complaints about other products 18%



	... so far this year April – December 2016				... in Q3 October – December 2016				... in the whole of 2015/2016 April 2015 – March 2016			
	enquiries received	new cases	ombudsman	% of cases upheld	enquiries received	new cases	ombudsman	% of case upheld	enquiries received	new cases	ombudsman	% of case upheld
payment protection insurance	151786	121557	14248	54%	46183	36065	3534	44%	241,098	186,994	13,561	66%
packaged bank accounts	23311	16413	1364	20%	5872	3785	274	16%	58,379	44,260	2,959	14%
current accounts	22353	11775	1532	27%	6793	4014	524	26%	29,189	13,939	2,400	31%
car and motorcycle insurance	21676	8203	1328	30%	6478	2831	441	32%	27,855	8,573	1,669	33%
payday loans	11211	7810	1680	56%	3535	2529	552	59%	7,485	3,168	608	66%
house mortgages	11071	7641	1348	33%	3323	2478	368	27%	16,614	11,282	2,500	38%
credit card accounts	10926	6281	954	29%	3439	2117	332	32%	14,653	7,792	1,603	30%
overdrafts and loans	7174	4452	771	25%	2245	1440	254	24%	10,520	6,173	1,510	31%
hire purchase	6598	3444	629	33%	2085	1231	232	34%	7,111	3,029	650	40%

third quarter statistics
continued

	... so far this year April – December 2016				... in Q3 October – December 2016				... in the whole of 2015/2016 April 2015 – March 2016			
	enquiries received	new cases	ombudsman	% of cases upheld	enquiries received	new cases	ombudsman	% of case upheld	enquiries received	new cases	ombudsman	% of case upheld
buildings insurance	5864	3450	799	36%	1713	1070	254	39%	7,774	4,094	1,092	38%
"point of sale" loans	3512	1805	359	32%	1063	626	165	32%	3,944	2,058	450	42%
travel insurance	3704	2207	446	38%	1170	856	172	39%	4,323	2,256	654	48%
personal pensions	2620	1431	264	30%	700	439	92	35%	4,092	1,522	317	27%
electronic money	2978	816	102	31%	938	305	40	31%	2,699	679	100	32%
mortgage endowments	2310	1114	179	15%	527	344	64	16%	3,988	1,941	387	22%
debt collecting	2327	733	83	32%	631	253	36	32%	2,790	689	124	39%
term assurance	2220	1675	264	17%	593	481	79	16%	3,521	2,499	471	24%
inter-bank transfers	2236	1239	167	26%	708	414	43	23%	3,509	1,886	290	32%
catalogue shopping	2447	1119	128	46%	850	421	43	45%	2,487	940	137	49%
warranties	2119	955	154	40%	664	375	58	43%	2,482	928	170	34%
home emergency cover	2121	1393	284	46%	769	461	79	48%	2,880	1,776	394	47%
deposit and savings accounts	1905	1222	224	29%	522	374	69	28%	3,164	1,800	436	35%
whole-of-life policies	1809	1170	251	22%	533	386	85	17%	2,505	1,476	351	19%
contents insurance	1731	1089	236	27%	548	369	81	25%	2,510	1,392	344	33%
pet and livestock insurance	1802	1049	213	30%	560	372	76	31%	2,034	1,090	270	24%
portfolio management	1339	926	278	42%	408	329	74	41%	1,686	1,197	598	48%
debit and cash cards	1678	945	143	30%	516	347	40	31%	2,010	952	174	36%
secured loans	1274	840	143	24%	343	251	59	24%	1,892	1,137	215	29%
self-invested personal pensions (SIPPs)	1385	1042	347	56%	408	380	140	47%	1,765	1,097	500	54%
private medical and dental insurance	1186	829	209	32%	368	284	67	31%	1,311	876	245	34%
investment ISAs	1236	926	185	31%	367	312	63	26%	1,683	1,283	269	37%
hiring / leasing / renting	1243	564	79	31%	431	225	23	24%	1,104	492	103	42%
mobile phone insurance	1352	573	72	35%	438	205	28	33%	1,506	587	79	46%
income protection	1028	798	189	26%	289	258	63	24%	1,496	1,012	278	29%
commercial vehicle insurance	1127	440	101	32%	338	128	29	31%	1,723	611	135	35%
cash ISA - Individual Savings Account	815	557	85	37%	185	159	34	37%	1,237	767	151	40%
roadside assistance	1010	566	95	37%	304	189	25	36%	1,446	808	133	42%
share dealings	987	514	121	34%	290	176	38	35%	1,341	741	206	37%
card protection insurance	752	402	28	21%	170	101	11	16%	1,746	666	51	37%
debt adjusting	789	500	212	22%	183	163	99	15%	924	466	146	52%
credit reference agency	1035	365	58	36%	315	139	12	31%	1,069	353	72	35%
specialist insurance	919	476	53	39%	265	147	21	33%	1,210	531	64	55%

third quarter statistics
continued

	... so far this year April – December 2016				... in Q3 October – December 2016				... in the whole of 2015/2016 April 2015 – March 2016			
	enquiries received	new cases	ombudsman	% of cases upheld	enquiries received	new cases	ombudsman	% of case upheld	enquiries received	new cases	ombudsman	% of case upheld
critical illness insurance	866	596	110	18%	249	187	37	17%	1,141	752	204	21%
legal expenses insurance	762	510	205	26%	208	157	64	25%	1,103	704	308	29%
direct debits and standing orders	670	407	58	30%	207	134	14	24%	1,022	512	91	33%
merchant acquiring	730	374	69	38%	240	142	23	37%	980	438	74	34%
store cards	594	303	42	35%	174	79	10	43%	902	465	77	43%
cheques and drafts	595	348	43	39%	181	113	19	43%	892	502	99	41%
personal accident insurance	508	440	101	23%	136	112	30	22%	1,046	723	114	33%
instalment loans	685	629	197	38%	133	117	57	42%	437	259	51	48%
credit broking	537	165	69	32%	136	45	21	29%	2,339	576	221	60%
commercial property insurance	515	368	109	35%	143	122	37	30%	868	606	200	37%
business protection insurance	377	193	48	28%	105	60	17	17%	530	270	70	31%
annuities	599	406	73	24%	249	170	14	31%	992	766	186	20%
endowment savings plans	385	302	72	16%	89	86	22	16%	589	432	97	23%
"with-profits" bonds	317	192	41	27%	92	66	26	25%	333	197	53	24%
occupational pension transfers and opt**outs	470	355	92	25%	134	116	23	16%	698	453	144	40%
unit-linked investment bonds	449	368	110	40%	126	109	42	36%	659	550	228	40%
building warranties	415	331	122	31%	113	115	63	30%	405	289	166	30%
guaranteed asset protection ("gap" insurance)	331	150	24	25%	95	44	10	19%	420	205	21	24%
home credit	354	232	74	32%	91	77	25	31%	400	238	50	38%
interest rate hedge	237	210	110	33%	60	56	20	28%	526	424	135	43%
derivatives	295	208	90	23%	96	66	26	25%	949	283	140	32%
conditional sale	399	401	158	37%	99	113	51	34%	621	554	184	43%
spread betting	226	127	61	23%	85	57	13	27%	394	210	65	18%
OEICs (open-ended investment companies)	161	136	30	36%	36	54	12	32%	196	171	41	39%
income drawdowns	138	120	42	39%	41	36	12	32%	247	161	73	41%
children's saving plans	48	36	-	19%	-	-	-	-	66	50	11	28%
money remittance	394	150	19	36%	125	58	13	33%	268	65	9	26%
caravan insurance	201	89	17	32%	-	-	-	-	234	99	36	34%
debt counselling	439	309	107	14%	112	102	43	13%	421	209	41	25%
enterprise investment schemes	-	-	-	-	-	-	-	-	47	35	23	24%
EPP - executive pension plans	-	-	-	-	-	-	-	-	54	30	15	47%
executorships/trusteeships	-	-	-	-	-	-	-	-	50	40	11	37%
film partnerships	-	-	-	-	-	-	-	-	155	98	180	10%

third quarter statistics
continued

	... so far this year April – December 2016				... in Q3 October – December 2016				... in the whole of 2015/2016 April 2015 – March 2016			
	enquiries received	new cases	ombudsman	% of cases upheld	enquiries received	new cases	ombudsman	% of case upheld	enquiries received	new cases	ombudsman	% of case upheld
foreign currency	196	82	13	36%	-	-	-	-	200	90	16	29%
FSAVC - free standing additional voluntary contributions	143	95	27	28%	-	-	-	-	253	148	54	54%
guarantor loans	195	115	25	21%	-	-	-	-	137	64	8	20%
investment trusts	137	79	27	31%	-	-	-	-	149	76	11	27%
logbook loans	114	68	13	35%	-	-	-	-	129	60	14	38%
non-structrured periodically guaranteed fund	-	-	-	-	-	-	-	-	517	460	126	24%
pawnbroking	79	38	10	30%	-	-	-	-	122	47	13	31%
pension mortgages	-	-	-	-	-	-	-	-	101	39	20	55%
PEP - personal equity plans	69	61	13	44%	-	-	-	-	106	78	13	42%
premium bonds	111	51	10	21%	-	-	-	-	166	74	9	37%
safe custody	60	47	13	41%	-	-	-	-	108	75	20	51%
savings certificates/bonds	79	45	5	13%	-	-	-	-	131	81	15	32%
SERPS - state earnings related pensions schemes	123	89	13	12%	-	-	-	-	300	218	16	5%
SSAS - small self administered schemes	-	-	-	-	-	-	-	-	58	46	20	44%
structured deposits	-	-	-	-	-	-	-	-	120	40	18	33%
unit trusts	130	101	25	33%	-	-	-	-	188	127	30	37%
Capital Protected Structured Products	115	107	19	33%								
Non-Structured Periodically Guaranteed Fund	57	61	26	42%								
sub total	341,271	230,800	32,937	44%	101,615	70,422	9,517	37%	515,524	338901	40,687	51%
other products and services	57,860	480	117	37%	20,669	486	125	29%	47,271	441	94	34%
total	**399,131**	**231,280**	**33,054**	**44%**	**122,284**	**70,908**	**9,642**	**37%**	**562,795**	**339342**	**40,781**	**51%**

Financial Ombudsman Service

upcoming events ...

our events

consumer adviser workshop & roundtable discussion	Sunderland	Thursday 16 February
small business workshop	Swansea	Wednesday 22 February
small business workshop & roundtable discussion	Basingstoke	Wednesday 22 March
small business workshop	Bridgwater	Tuesday 7 March

talk to us at

The Gathering	Glasgow	22-23 February
Naidex	Birmingham	28-30 March

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

Financial Ombudsman Service
Exchange Tower
London E14 9SR

switchboard 020 7964 1000

consumer helpline
Monday to Friday 8am to 8pm *and*
Saturday 9am to 1pm
0800 023 4 567

technical advice desk
020 7964 1400
Monday to Friday 9am to 5pm