

The complaint

Mr S complains that Yorkshire Building Society (when it was trading as Chelsea Building Society) mis-sold him payment protection insurance ("PPI").

To keep things simpler, since Yorkshire Building Society is responsible for dealing with this complaint I'll just refer to it as the seller.

What happened

In 1998 Mr S took out a mortgage. At that stage he didn't take out PPI.

As far as he can recall, Mr S thinks that around October 2001 he received a phone call from Yorkshire Building Society. Mr S says he was informed during the call that he hadn't "activated" his mortgage insurance and that they would do that for him. He told us that no questions were asked, no costs/commission fees were explained and no cover was explained. He said it almost felt like he just needed to enable a virtually "free" add-on to his policy, so he went ahead with it.

And PPI was set up on Mr S's mortgage account following that phone call.

In 2003 Mr S applied for a new mortgage with Yorkshire Building Society and he also took out PPI at the same time. That PPI protected his mortgage monthly repayments and covered Mr S in the event of unemployment.

Our adjudicator didn't think this was a complaint we should uphold. Mr S disagreed.

Mr S says that the key point is that he was not aware he was being sold or buying a policy.

He told us that he was given no option regarding accepting or declining PPI and it felt like it was an administrative error on behalf of Yorkshire Building Society which was being corrected.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about the sale of PPI on our website and I've taken this into account in deciding this case.

I've decided not to uphold this complaint. I'll explain my reasons.

what happened in 2001

There's no paperwork available from this sale and the bank has limited information about how PPI was first sold to Mr S. But as this happened a long time ago, I wouldn't expect Mr S or Yorkshire Building Society to have kept this.

A financial business isn't required to keep paperwork indefinitely. When personal private information is no longer likely to be needed, it can be destroyed. Data protection laws set out rules about this. Destroying old paperwork helps to keep customers' private details secure. I can appreciate that Mr S feels frustrated by the lack of paperwork. But the fact that Yorkshire Building Society can't now produce the sale documents isn't a reason for me to uphold this complaint. I've taken carefully into account and relied substantially on what Mr S has told us.

Based on what Mr S recalls it looks like Yorkshire Building Society sold the PPI to him during a phone call sometime around October 2001.

There's no call recording. I've thought carefully about what Mr S told us about the way he was sold this PPI. But it wouldn't be reasonable to expect Mr S to remember exactly what was said as this call was so long ago. So what he says isn't enough on its own for me to be able to uphold his complaint.

I have to look at all the available information and think about the wider circumstances when deciding what I think is most likely and make reasonable assumptions where necessary.

The mortgage had been set up around 3 years earlier without PPI. So I think Yorkshire Building Society might've phoned to explain to Mr S the benefits of having PPI.

I don't think Mr S would've had any reason to think that not having PPI was just an administrative error as his mortgage account had been running perfectly well without it until then.

I think it's more likely Mr S would've understood at the time that PPI wasn't required as part of the mortgage since he hadn't had to have it when he arranged his borrowing. And that taking out PPI was optional.

The mortgage was a major financial commitment, repayable over a substantial number of years. Mr S's home could've been at risk if his mortgage payments weren't kept up to date. PPI provided dependable cover if he couldn't work. After hearing about the benefits the policy could offer him, looking at his circumstances at the time I can see why Mr S might've felt PPI could be useful if he'd needed to claim – even if he didn't choose to take it out at the start of the mortgage.

I can completely understand if Mr S has forgotten as this happened such a long time ago. But I think it's likely that during the call Mr S decided that he did want the protection and security that PPI offered him. And, on balance, I find that he chose to buy the policy knowing it was up to him to say if he wanted to take it out.

One of Mr S's main concerns is that Yorkshire Building Society made no proper enquiries into his circumstances. But Yorkshire Building Society says it didn't advise Mr S to have the policy. So it wasn't under any obligation to ask Mr S about his other means or check if he had savings or other ways to pay his mortgage. It was up to Mr S to decide whether or not he wanted to take out PPI, knowing what his financial situation was at the time.

But Yorkshire Building Society still had to make sure that it gave Mr S clear enough information so he was able to make a proper decision about whether PPI was right for him. And if this didn't happen, then I have to think about whether this made any overall difference to Mr S.

So I've thought carefully about what Mr S told us about his circumstances at the time.

I think it's likely that in all main respects the policy that Mr S took out would've had similar terms and conditions to the policy document that Yorkshire Building Society has provided.

It isn't clear what level of cover Mr S actually had under the policy. Given this uncertainty, to be as fair as possible to Mr S I've looked at his complaint on the basis that he might have been paying for accident, sickness and unemployment cover and expecting to be able to take advantage of all the main policy benefits.

I've looked at what Mr S told us about his employment and financial situation at the time. He told us he was entitled to at least 6 months sick pay – but less than 12 months.

The policy could've paid out in full for up to 12 months per accident and sickness claim. So the PPI provided better protection than Mr S could've relied on getting through his employer at the time. And it would've paid out on top of sick pay providing Mr S with a useful benefit at what might've been a difficult time – especially bearing in mind that he might've had some extra costs as a result of being sick or disabled.

The policy could've also protected Mr S if he lost his job unexpectedly and was out of work.

The policy could've paid out for up to 12 months each time Mr S claimed successfully and he could've made repeated claims. So PPI provided long term protection for his mortgage.

Mr S told us he had some savings he could've relied on if he wasn't able to work. But it was up to him to decide if he wanted PPI knowing what his circumstances were at the time – and I can see why he might still have wanted to take out PPI. There was no guarantee when Mr S took out this PPI that he would always have savings to rely on because everyone's circumstances can change unexpectedly. And having PPI meant he wouldn't be forced to use his savings to pay his mortgage if he wasn't able to work.

Having PPI meant Mr S could be sure he'd always be able to keep up the monthly repayments in order to protect his home.

So I think the policy could've been useful. And I think that's borne out by the fact that Mr S was able to claim successfully under the unemployment part of the policy when he needed to.

There were some things the policy didn't cover. I've taken into account that Mr S has mentioned an ongoing health problem. He might've found it difficult to claim for absence from work due to his ongoing condition. But he told us he'd only ever occasionally needed to take 1-2 days off work. So it doesn't look as if he would've had any reason to think he'd be likely to take time off work as a result of his condition for long enough to make a successful claim under the policy. So, even if this wasn't discussed or explained to Mr S, I don't think that knowing more about the policy limitations would've put him off taking out PPI.

I don't know if the PPI cost and benefits were made clear to Mr S when he decided to buy the policy. But it appears that Mr S chose to take out the cover when he didn't have to so he seems to have been happy to pay for it. There's nothing to suggest that Mr S would've found the monthly premiums difficult to afford at the time.

Overall, it's possible there may have been some failings in the way this policy was sold. But I think Mr S still would've decided to buy the policy if he'd been better informed as it gave him useful protection in his particular situation.

So I don't feel I've seen enough to make me think that Mr S lost out as a result of anything Yorkshire Building Society did wrong when it first sold him PPI.

what happened in 2003

Mr S took out a new mortgage in 2003 and I've seen the paperwork that Mr S completed.

I don't know how the PPI was presented or explained to Mr S during any conversations about it.

But I think Yorkshire Building Society made Mr S aware that the PPI was optional and that he chose to take it.

I say this because the application form he completed included a brief description of the PPI and had 'yes' and 'no' options.

So Mr S would've known it was up to him to say if he wanted PPI.

And I can see that on the form Mr S signed there's a tick next to where it says:
"I/We would like to take Chelsea Payment Protection to protect my/our mortgage payments"

And in order to take out the policy, Mr S filled in a separate application to have the PPI added on to his mortgage account. He also set up new payment arrangements to cover the monthly premiums for the policy.

Mr S chose the amount of benefit and selected the level of cover he wanted from a range of options when he took out protection against unemployment only.

So it appears that Mr S decided to buy the insurance – his chosen options reflecting his wishes at the time.

I've thought carefully about whether there might be any other reason to uphold a mis-sale complaint in 2003.

Yorkshire Building Society didn't advise Mr S to have the policy – he chose the cover based on the information he was given about the policy. And I can see why Mr S would've wanted to have PPI and how it could've been useful to him in his particular situation.

By this time, Mr S had changed jobs. He told us his new employer would've paid him six weeks of full pay, followed by six weeks of half pay if he was off work sick. And he told us he had a five figure amount of savings.

The policy covered Mr S for up to 12 months at a time if he lost his job unexpectedly and found himself out of work.

Mr S mentioned having significant savings at the time. He also had some credit card debt listed on the mortgage application. So it's possible that he didn't have as much spare cash at the time as he remembers.

And if Mr S didn't choose to use his money to keep down the cost of the new mortgage, perhaps because he preferred to keep savings intact to provide financial security or to spend

on other things, then I think he would've valued the protection PPI offered. Having PPI meant that Mr S could be sure he'd be able to pay the mortgage monthly repayments without breaking into savings.

His medical condition didn't affect Mr S being able to make a successful claim under the unemployment part of the policy. So, even if some things weren't mentioned, I don't think that knowing more about the policy terms and conditions would've made any difference to his decision to take out the policy.

I don't know how much information Mr S was given about the policy cost when he agreed to buy it. But it looks like Yorkshire Building Society sent him details with the mortgage offer. So Mr S would've been able to see what he'd have to pay to have PPI alongside his mortgage. And this seems to have been acceptable to him at the time as the policy was then set up for him. This was a policy Mr S paid for monthly so he was able to cancel it at any time if he changed his mind and no longer wanted to pay for it.

It's possible there were failings in the way this policy was sold. But it looks like Mr S chose to take out the policy when he didn't have to. Mr S seems to have tailored the cover and benefit to fit his particular requirements at the time. And, after taking into account his savings, I still think that the policy offered him useful cover.

I haven't seen anything to make me think that having clearer information would've put him off buying it. So I think that Mr S still would've decided to take out the policy even if he'd been given clearer information as it gave him useful protection.

In coming to my decision I've thought carefully about everything that Mr S has said, including the comments made in response to our adjudicator's view.

I appreciate he feels strongly about this complaint. I understand that what I've said will come as a disappointment. In my decision I've dealt with all the main points that have an impact on the outcome of this complaint and I hope that setting out the reasons as I've done will help explain how I've reached my decision.

My final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 January 2021.

Susan Webb
Ombudsman