

The complaint

Mr B complained that he was mis-sold a mortgage payment protection insurance (PPI) policy by The Prudential Assurance Company Limited (“Prudential”).

What happened

Mr B bought the PPI policy when he took out a mortgage in 1998. Mr B said that the PPI sale took place in a meeting and that Prudential advised him to take out the policy – and indeed he wasn’t given a choice about taking it.

The policy provided accident, sickness and unemployment cover for Mr B at a monthly cost of £11.93. The monthly benefit was £211.00. If Mr B had made a successful claim, the policy could’ve paid out for up to 12 months per claim. Prudential told us the policy was cancelled in 2008.

Our adjudicator thought the complaint should be upheld. Prudential disagreed, and asked that it be referred to an ombudsman for review.

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 Mr B’s case.

I’ve decided to uphold Mr B’s complaint. I’ll explain why.

Prudential couldn’t provide any documents from the point of sale, but it sent in sample copies of the policy terms and conditions and a computer record of Mr B’s policy details. Mr B sent in extracts from a financial review document completed by the Prudential representative in 1998. I can’t see specific details of the PPI policy on these extracts, but as there’s a reference to the meeting being to consider Mr B’s mortgage needs, it seems most likely that the sale took place at this meeting.

Mr B said he wasn’t given a choice about taking the PPI. Prudential said the PPI was optional. In the absence of any documents relating specifically to the PPI sale, I can’t say how the PPI was presented to Mr B. But as I am upholding the complaint for other reasons, I don’t need to make a finding on this point.

Mr B says he was advised to take the PPI. Prudential didn’t dispute this point, and from what’s on the financial review document I think it’s most likely that the PPI was recommended for Mr B. So the adviser should’ve made sure it was suitable for him. I don’t think it was.

Mr B’s employment was noted on the financial review document, so I think the adviser ought reasonably have been aware of his circumstances. The nature of Mr B’s employment meant

that he had very good employee benefits – he would've been entitled to sick pay (at his full pay rate) until he returned to work or was medically retired, and in the case of redundancy he would've received much more than the statutory provision. I accept that Mr B's borrowing was secured against his home – but I've also taken into account the amount borrowed, which was quite low. It seems to me that Mr B would've been able to maintain the mortgage payments if he was off sick or made redundant, and therefore I don't consider he would've had a particular need for the cover.

Overall, from the evidence I have, I am not satisfied that the PPI was suitable for Mr B. And therefore I don't think he would've taken the policy out if he had been properly advised. As a result I have concluded that his complaint should be upheld.

Putting things right

Prudential should put Mr B in the position he'd be in now if he hadn't taken out the PPI. The policy has been cancelled, so Prudential should:

- Pay Mr B the amount he paid each month for the PPI;
- Add simple interest to each payment from when he paid it until he gets it back. The rate of interest is 8% a year[†].

If Mr B made a successful claim under the PPI policy, Prudential can take off what he got for the claim from the amount it owes him.

[†] HM Revenue & Customs requires Prudential to take off tax from this interest. Prudential must give Mr B a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons I've explained, I've decided to uphold Mr B's complaint. The Prudential Assurance Company Limited should pay him the compensation I've described.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 March 2021.

Jan Ferrari
Ombudsman