

The complaint

Mr and Mrs H complain that Santander UK Plc, ("Santander"), mis-sold them a mortgage payment protection insurance, ("MPPI"), policy.

What happened

Mr and Mrs H took out a mortgage in 1994. At the same time they took out a monthly premium MPPI policy.

Our adjudicator recommended that Mr and Mrs H's complaint should be upheld. But as Santander disagreed with this view, the complaint has been passed to me to decide

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 payment protection insurance on our website and I've taken this into account in deciding Mr and Mrs H's case.

I've decided to uphold Mr and Mrs H's complaint. I explain why below.

Because the sale was so long ago, Santander no longer has details of the cover Mr and Mrs H had. But it's most likely that they were covered for accident sickness and unemployment.

Mr and Mrs H have told us that the sale took place during some meetings and that Santander advised them to take out the MPPI. They have also said that they had initially declined the policy because they had employment benefits and some savings which they could have used to help make their mortgage repayments, had either of them not been working. They have told us that they took out the insurance because they felt under heavy sales' pressure to do so.

At the time of the sale, Mr H was paid on a weekly basis and Mrs H monthly. And I've seen the forms of contracts used by their respective employers in these circumstances. I've no reason to conclude that Mr or Mrs H's terms of employment were different from these. And I can see that both contracts provided for six months sick pay. And also offered the employee permanent health insurance, (PHI), that would become effective after six months [sickness].

I'm aware that the health insurance was subject to acceptance by the insurer. And that the sick pay was said to be payable at the employer's discretion. But I've seen nothing to indicate that there would have been any reason for Mr or Mrs H not to be accepted for the PHI. Or that the employers would not have exercised their discretion in Mr or Mrs H's favour.

I note that the payments by way of sick pay and under the PHI were subject to deduction of state benefits. And that the policy would only pay **75%** of the employee's **basic** salary, which was relevant as part of Mr H's income **was** in addition to his basic salary. I further note that Mr and Mrs H were earning similar amounts at the time of the sale. Taking all this into account, I find that, although their combined income were likely to have been reduced somewhat, Mr and Mrs H would have had reasonable means to make their mortgage payments had either of them been unable to work because of accident or sickness. Accordingly I find that they didn't have a reasonable need for the policy to cover them in these circumstances.

As Santander advised Mr and Mrs H to take out the insurance, it ought to have taken reasonable steps to ensure that it was suitable for their needs. Understandably, because of the time that has passed, Santander has been unable to give us full details of what steps it took or what it discussed with Mr and Mrs H during the meetings. But, as I've explained above, I don't think the policy was suitable for Mr and Mrs H, so Santander shouldn't have sold it to them.

This means that they have lost out because they paid for something they didn't want.

Putting things right

Mr and Mrs H should be put back into the position they would have been in now if they had taken out the mortgage without the MPPI policy. So Santander should:

- Refund to Mr and Mrs H all the premiums they paid to the MPPI policy; and
- Pay Mr and Mrs H interest at 8% per year simple[†] on each premium from the date it was paid to the date compensation is paid;
- I understand that Santander has already paid some compensation to Mr and Mrs H in relation to the level of commission it got for selling them the policy. It can take off the amount of this compensation from the amount I've decided it now owes them.

[†] If Santander considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr and Mrs H how much it's taken off. It should also give Mr and Mrs H a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons I've given above, my decision is to uphold Mr and Mrs H's complaint. And I order Santander UK Plc to pay Mr and Mrs H compensation in line with the approach set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mr H to accept or reject my decision before 14 March 2022.

Ros Barnett
Ombudsman