DRN-3102500

Financial Ombudsman Service

The complaint

Mr R complains that he was mis-sold Life Insurance and Critical Insurance Cover (CIC), referred to as "the policy" by JCT600 Limited.

He says he was told/led to believe that the policy was a condition of his borrowing, even though he didn't want or need it.

What happened

In 2005, JCT600 sold Mr R the policy alongside a personal loan (to purchase a car) provided by a third-party insurer. The basic loan comprised of £17,664 for the car and £1,527 for the insurance policy.

But with interest, document fees and acceptance fees – less a £845 deposit – this amounted to £22,326 – which included payment for the insurance policy (with interest). According to the agreement, the term of the loan was for five years at a cost of around £362 a month – with two additional monthly payments.

It appears that the insurance policy – which was the 'Bronze' option – was designed to run for the same period as the personal loan, and in the event of a valid claim pay off the outstanding loan amount.

In 2020, Mr R complained that the insurance policy was mis-sold. He says he had employee benefits at the time – namely redundancy pay and death in service pay – therefore he didn't want or need additional cover. He also said that he was told/led to believe that if he didn't take out the policy his loan would be refused.

I'm mindful that the complaint was initially made as a Payment Protection Insurance (PPI) complaint against the insurer, because that's what Mr R initially thought it was, before he was directed to JCT600.

JCT600 initially said that the complaint had been made too late but later consented to us considering the merits of this complaint. It doesn't accept that it has done anything wrong.

One of our investigators considered the complaint but didn't think it should be upheld. In short, he said:

- On the face of the evidence, he can't say that the policy was compulsory. The credit agreement showed that it was 'optional', therefore despite what he says, Mr R ought reasonably to have been aware of this.
- Mr R was sold the 'Bronze' plan which provided Life Cover and CIC only. So, in the event of his death or being diagnosed with a specified critical illness the policy was designed to pay off the outstanding loan amount.
- Mr R accepts that he didn't have any cover in place at the time, therefore he can't say there was no need for the policy.
- PPI – which is what Mr R initially complained about –would only cover the monthly loan repayments for a set period. In contrast, the policy would pay out a lump sum to

cover the balance of the loan, less any arrears.
- The redundancy benefit Mr R refers to, wouldn't cover him if he died or was diagnosed with a specified critical illness. Furthermore, the death in service benefit could've been taken away by Mr R's employer at any moment.
- Just because Mr R didn't claim on the policy doesn't mean there was no need for it.

Mr R didn't agree with the investigator's view and asked for an ombudsman's decision. He maintains the policy was mis-sold.

As no agreement has been reached the matter has been passed to me 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.

Having done so, I agree with the investigator's conclusion for much the same reasons. I'm not going to uphold this complaint.

On the face of the evidence, and on balance, despite what Mr R says, I'm unable to safely say that the policy in respect of his personal loan, was mis-sold.

Given the passage of time, I'm not surprised that JCT600 is unable to provide more information about the point of sale. Financial businesses aren't required to retain information indefinitely, so I can't blame the business for not being able to provide more information about the sale of a product that took place over 16 years ago.

Nevertheless, my role is to consider the evidence presented by Mr R and JCT600, and reach what I think is an independent, fair and reasonable decision based on the facts of the case. In deciding what's fair and reasonable, I must consider the relevant law, regulation and best industry practice, but I'm not bound by this. It's for me to decide, based on the information I've been given, what's more likely than not to have happened.

On the face of the available evidence, and on balance, I'm unable to safely say that there wasn't any need for the policy. I note that Mr R was employed, almost 30 years of age and living with his partner at the time. He also had a mortgage, but little/no savings or life insurance. Therefore, in the circumstances I think the recommendation to cover his loan was sensible.

In the unfortunate event of Mr R dying or being diagnosed with a specified critical illness, the insurance policy was designed to pay out a lump sum and pay off the outstanding loan, leaving his car to his partner or loved ones free of any charge. So, in the circumstances, and on balance, I don't think the recommendation for cover was an unsuitable recommendation.

I note the credit agreement document – on page one of two – made clear that this policy was optional. It said: *"This recommended insurance is optional. The word entered in the space below marked with an arrowhead indicates the Type of Payment Protection Plan you have selected or that you do not require".*

I note that the word 'Bronze' was displayed in the space provided, but Mr R could've selected 'None', if he didn't want cover, but didn't. I also note further instructions next to the space provided which stated: *"Payment Protection Plan Type required (if none required, enter 'None')".*

I note that Mr R signed (and initialled) the form – containing some additional handwritten details about the car – and was witnessed doing so by the adviser, therefore I think it's more likely than not Mr R agreed with the contents of the form, including the policy and level of cover. If Mr R signed the form without reading it, I can't blame JCT600 for that. So, despite what Mr R now says, based on the available evidence I'm satisfied that it was made reasonably clear that the policy wasn't compulsory. In other words, he could still borrow money without taking out an insurance policy.

I'm also aware that if Mr R later changed his mind, he could've cancelled the policy within the 30-day cooling off period as made clear in the Key Features Document (KFD).

It's possible that the adviser recommended that Mr R take out the policy to protect the loan and did so in strong terms, which I don't think is unreasonable. In the circumstances, I would expect the business to advise Mr R to take out cover as there wasn't any cover in place at the time.

I note that the option selected was 'Bronze' – out of the 'Bronze', 'Silver' and 'Gold' options – therefore I think it's more likely (than not) different options were discussed and Mr R selected the level of cover that he wanted, i.e. lowest of the three options. I note the 'Silver' and 'Gold' levels related to those in employment or self-employment, needing cover for accident or sickness from work.

I note the KFD makes clear that life cover is available to all three options. It states: *"Full clearance of outstanding balance (excluding any arrears) up to a maximum of £75,000"* which I assume is the maximum level of cover out of the three plans. I'm mindful this isn't what Mr R is complaining about.

I also note that the KFD makes clear that the policy was designed to remain in force for the period of the loan, and because it would only cover the 'outstanding balance' this would suggest the plan was most likely designed to go down in line with the outstanding loan amount, over the term of the loan. So, on the face of the limited available evidence, and on balance, I'm unable to safely say that the recommendation was unsuitable.

Even though this might be considered a short / medium term lending, the amount borrowed wasn't insubstantial, and the monthly premiums were relatively small. I've seen nothing to suggest that Mr R couldn't afford the policy.

I'm satisfied that Mr R was insured for as long as he was paying the premiums, and in the event of a valid claim, within the term of the policy – so long as the premiums were up to date – the insurer would've paid off the outstanding loan amount. Just because Mr R didn't need to make a claim doesn't mean he's lost out or that the policy was mis-sold. So, in the circumstances I'm unable to safely say that Mr R is entitled to a refund of the premiums paid.

Furthermore, I think Mr R has drawn conclusions, based upon the available information, which he suggests proves that the policy was mis-sold. But I don't agree with the conclusions he's reached.

I'm mindful of the points made by him about his employee benefits. It is the case that those employee benefits would only have been available whilst Mr R remained in that particular employment. And even if he did stay in that employment, there was no guarantee that the benefits wouldn't be withdrawn or changed at any time by his employer.

Whilst I appreciate Mr R's points, the insurance policy, in contrast, would continue to provide cover if the premiums were paid. Despite what Mr R says, employee benefits aren't generally considered to be an adequate replacement for life cover.

I’m aware that this complaint has taken some time to resolve. I’m mindful that this complaint started off life as a PPI complaint against the insurer, and there was some confusion as to who was responsible and whether (or not) the complaint was made in time. In the circumstances I’m unable to say that JCT600 has behaved unreasonably.

I appreciate Mr R will be disappointed that I’ve reached the same conclusion as the investigator. Furthermore, I realise my decision isn't what he wants to hear. But on the face of the available evidence, I’m unable to uphold this complaint and give him what he wants.

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 R to accept or reject my decision before 27 January 2022.

Dara Islam
Ombudsman