The complaint

Ms H complains that Kensington Mortgage Company Limited ("KMC") mis-sold her payment protection insurance ("PPI") when she took out a mortgage with them.

What happened

Ms H applied for a mortgage with KMC in June 2004, through a broker. In July 2004 she responded to a direct mailing from KMC about PPI which she then went on to buy.

In the event of a successful claim the policy would have covered Ms H's mortgage payments for up to a year at a time if she couldn't work due to an accident, sickness or involuntary unemployment.

Ms H says that the policy wasn't suitable for her and that KMC didn't give her enough information to know this before she bought it. KMC disagreed.

The adjudicator who first reviewed Ms H's complaint agreed with her. They upheld Ms H's complaint. Ms H agreed with this outcome but KMC didn't respond to the adjudicator's view – so it can't be said that it agreed to the resolution. Accordingly, the complaint has been passed to me to make a final decision.

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 PPI on our website and I've taken this into account when deciding this complaint. Having done so, I uphold Ms H's complaint. I'll explain why I've reached this decision.

Ms H didn't immediately buy the PPI when she applied for her mortgage with KMC. She responded to a letter to her about the PPI a short while after her application. She returned the application form agreeing to buy the PPI.

KMC didn't provide Ms H with a personal recommendation about the PPI, so it didn't need to check it was right for her. But it did need to make sure it provided Ms H with all the information she needed to make her own decision about whether to buy it. It needed to make sure that information was clear, fair and not misleading and it needed to draw the main features of the policy to Ms H's attention.

Ms H has provided a copy of part of the leaflet she received and completed. It asks her to confirm that she is in permanent gainful employment and that she had been in continuous employment for the preceding six months. She also needed to confirm that she was not aware of any impending unemployment. It did not define 'permanent gainful employment'.

Ms H had two jobs at the time of sale. In one of them she was employed on a fixed term contract. In the other, she was self-employed.

Looking at the likely terms of the policy (taken from a copy of the policy sent to Ms H at her request in 2007) I can see that the circumstances in which someone who was self-employed or employed on a fixed term contract were onerous. Ms H was on a fixed term contract and the policy terms precluded Ms H claiming for unemployment if that fixed contract wasn't renewed. She also had a second self-employed job. Ms H would have needed to provide evidence that her business had permanently ceased to trade. So she wouldn't have been covered unless she closed her business entirely rather than because she didn't have any or enough work. And she could only have claimed for unemployment if her fixed contract wasn't renewed *and* her self-employed business closed at the same time.

I can't see any evidence of how KMC made sure that Ms H understood clearly how these terms affected her ability to make a successful claim. Indeed, Ms H later tried to make an unemployment claim which was rejected because she had been on a fixed term contract.

I think if Ms H had understood she couldn't claim in these circumstances she wouldn't have thought the policy provided her with a useful benefit and I don't think she would have bought the policy. So I think she lost out as a result of what KMC did wrong.

Putting things right

[When the adjudicator first gave their view about this complaint Ms H was also pursuing a separate complaint about her unsuccessful claim against the policy. So our adjudicator said that the redress in relation to this PPI complaint should be calculated only once that other complaint had been resolved as it potentially had implications for the redress to be paid here. That other complaint has now been resolved, so I can direct the following.

KMC should put Ms H in the financial position she'd be in now if she hadn't taken out the PPI. KMC should:

- Pay Ms H the amount she paid each month for the MPPI
- Add simple interest to each payment from when she paid it until she gets it back. The rate of interest is 8% a year.†
- KMC can take off any amounts it's already paid regarding commission and profit share.

† HM Revenue & Customs requires KMC to take off tax from this interest. KMC must give Ms H a certificate showing how much tax it's taken off if she asks for one.

My final decision

I uphold Ms H's complaint and direct Kensington Mortgage Company Limited to pay compensation as described above

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 9 June 2022.

Sally Allbeury
Ombudsman