

## **The complaint**

Mr and Mrs S have complained that Quilter Financial Services Ltd mis-sold them a mortgage payment protection insurance (PPI) policy in 2012. Although it was a joint mortgage, the policy was set up just to cover Mr S for accident, sickness and unemployment.

## **What happened**

Quilter originally objected that Mr and Mrs S's complaint about the policy being mis-sold was out of time and therefore could not be looked at. However, another Ombudsman has explained why we can look at the complaint, albeit in a limited way, due to the DISP rules having a limited exception to the PPI deadline for certain mis-selling complaints which relate to a declined claim. Mr and Mrs S's complaint complies with this exception as a result of Mr S having a sickness claim declined in 2020, which was the point at which Mr and Mrs S would have understood that the policy may have been mis-sold. However, in this scenario, we can only look at the part of the complaint that relates specifically to the reasons why the claim was rejected.

Our adjudicator upheld the complaint. Quilter disagrees with the adjudicator's opinion and so the complaint has been passed to me for a 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 the sale of PPI on our website and I've taken this into account in deciding this case.

I've decided to uphold Mr and Mrs S's complaint and I'll explain why.

It is clear from the sales documentation that Quilter advised Mr and Mrs S to take out the PPI. Therefore, the onus was on Quilter, not just to highlight the significant limitations and exclusions, but to take reasonable steps to ensure the suitability of the policy. If it was making a recommendation that didn't fully fit with Mr and Mrs S's needs then it was obliged to point this out to them when making that recommendation.

The policy placed limitations on pre-existing medical conditions. The policy also has a total exclusion on chronic conditions. I can see that Mr S disclosed some medical conditions at the time of the sale as this is recorded on the application summary form for life insurance, which Mr S was also sold. The conditions he disclosed meet the definition under the policy for both pre-existing and chronic. Therefore, Mr S would never have been able to make a successful claim for any of these conditions. As already mentioned, the insurer did decline a claim in 2020, and this was because Mr S's GP had confirmed that he had medical conditions that were both chronic and that pre-dated the point of sale.

As Mr S had pre-existing and chronic conditions, Quilter should not have advised Mr and Mrs S that the policy met their needs. However, despite being aware of Mr S's medical history, it did recommend the policy to Mr and Mrs S without caution.

Overall, I find it unlikely in the circumstances that Mr and Mrs S would have gone ahead with buying the policy if they had understood that Mr S's pre-existing and chronic conditions would not be covered. That's because they would not have considered it to be good value for money in their situation. The rest of the benefits of the PPI would not have been sufficiently attractive to outweigh the shortcomings in this particular case.

### **Putting things right**

Quilter should put Mr and Mrs S in the position they'd be in now if they hadn't taken out PPI. Therefore, Quilter should:

- Pay Mr and Mrs S the amount they paid each month for the PPI
- Add simple interest to each payment from when they paid it until they get it back. The rate of interest is 8% a year†.
- If Mr S made a successful claim under the PPI policy, Quilter can take off what he got for the claim from the amount it owes Mr and Mrs S.

† HM Revenue & Customs requires Quilter to take off tax from this interest. Quilter must give Mr and Mrs S a certificate showing how much tax it's taken off if they ask for one.

### **My final decision**

My decision is that I uphold Mr and Mrs S's complaint and require Quilter Financial Services Ltd to pay fair compensation as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 11 July 2022.

Carole Clark  
**Ombudsman**