

## The complaint

Mrs J complains that Scottish Widows Limited ('SWL') have been unable to locate the policy details of a life cover plan she believes is held with them which could be used to pay off her mortgage.

Mrs J would now like SWL to find the policy and pay her the benefits that she believes she's entitled to.

## What happened

In June 2023, Mrs J met with her Lloyds Bank Mortgage and Protection Adviser to look at her borrowing. During the discussions, the adviser highlighted to Mrs J that her mortgage may contain some form of protection. On a mortgage illustration the adviser had seen, it stated:

*"Incentives: This mortgage includes FreeLife mortgage cover to repay the outstanding mortgage up to a maximum of £250,000 in the event of a borrower's death before the age of 65, or terminal illness is diagnosed before a borrower's 64<sup>th</sup> birthday".*

As Mrs J's husband had passed away in 2007, the Lloyds Bank mortgage adviser suggested to Mrs J that she contact SWL to understand what benefits she might be entitled to. After reviewing their records, SWL said that they didn't hold any records of a FreeLife plan, but they did find details of an endowment plan. SWL went on to say that policy had come to an end in 2007, but because of the time that had since elapsed, they couldn't tell whether the plan had simply closed because the direct debit had been stopped or because the plan had paid out.

Shortly afterwards, Mrs J decided to formally complain to SWL. In summary, she said that she was unhappy that she'd not received a payment following the death of her husband that would have gone towards repaying her mortgage.

After reviewing Mrs J's complaint, SWL concluded they were satisfied they'd done nothing wrong. They also said, in summary, that they had conducted an exhaustive review of their records and had been unable to find the details of any policies which matched what Mrs J thought she held with them. SWL explained that they had limited information on a 'Low Cost Mortgage Plan' that was held at around the time of Mr J's passing but were unable to determine what had happened to any benefits because their system simply showed the plan as having been 'closed' on 30 March 2007.

Mrs J also raised a further query on her complaint to SWL about a cheque that she'd received a number of years prior that she hadn't cashed because she didn't know what the payment was for. SWL said that because the cheque was dated 16 August 2012, and there were no reference numbers with it, they weren't able to identify what the payment was for. They also explained that they couldn't find any policies held with them by either Mrs J or her late husband that had ceased around that particular time. However, as a good will gesture,

SWL explained that they were going to reissue the cheque and add a payment of interest to make up for the period that Mrs J hadn't had the benefit of those funds from.

Mrs J was unhappy with SWL's response, so she referred her complaint to this service. In summary, she said that she was unhappy SWL hadn't been able to locate the details of the FreeLife cover plan that she felt she was entitled to.

The complaint was then considered by one of our Investigators. He concluded that SWL hadn't treated Mrs J unfairly because from what he'd seen, SWL had completed detailed checks of their systems and couldn't find any plan that matched the nature of Mrs J's complaint. In addition, he stated that he wasn't able to conclude whether the 'Low Cost Mortgage Plan' that SWL had found had paid any benefits to Mrs J because SWL's obligation to keep records from that long ago had since passed.

Mrs J, however, disagreed with our Investigator's findings. In summary, she said:

- I don't understand what has satisfied your investigations with this when they can produce nothing.
- It doesn't make sense saying the payment stopped as there were only payments for the mortgage that have continued since my husband's death. No bereavement claim was ever made by me at this time as I knew nothing of this benefit until 2023 and nothing has ever been received.
- You mention a sum assured value of £15,000, I have not been made aware of this value previously.
- You mention again that a direct debit payment towards the policy stopped shortly after my husband's death, but the free life cover was not a separate policy that was paid, it was a benefit within the mortgage.

Mrs J concluded by stating that she had put her faith in a large financial institution, paid them without default and despite this, had been let down very badly by them. She said that she only wanted to receive what is rightfully hers.

Our Investigator was not persuaded to change his view as he didn't believe that Mrs J had presented any new arguments he'd not already considered or responded to. Unhappy with that outcome, Mrs J then asked the Investigator to pass the case to an Ombudsman for a decision.

After carefully considering both sets of submissions, I issued a provisional decision on the case as I explained that whilst I was minded to agree with our Investigator that the complaint should not be upheld, I was planning on doing so for different reasons and adding wider context. This gave both parties an opportunity to provide any further evidence that they wished for me to consider.

#### What I said in my provisional decision:

I have summarised this complaint in less detail than Mrs J has done and I've done so using my own words. The purpose of my decision isn't to address every single point raised by all of the parties involved. If there's something I've not mentioned, it isn't because I've ignored it - I haven't. I'm satisfied that I don't need to comment on every individual argument to be able to reach what I think is the right outcome. No discourtesy is intended by this; our rules allow me to do this and it simply reflects the informal nature of our service as a free alternative to the courts.

My role is to consider the evidence presented by Mrs J and SWL in order to 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. Where there's conflicting information about what happened and gaps in what we know, my role is to weigh up the evidence we do have, but it is for me to decide, based on the available information that I've been given, what's more likely than not to have happened. And, having done so, I'm not upholding Mrs J's complaint – I'll explain why below.

Having looked closely at all of the submissions made in this complaint, I want to acknowledge that I very much appreciate how distressing Mrs J has found these events. She's explained that at nearly 80 years of age, still having a mortgage has been a considerable financial challenge and being able to clear the debt would lift a considerable weight off her shoulders. However, as we're an evidence-led service, for me to be able to instruct SWL to make a payment to Mrs J, first of all, I would need to be satisfied that a policy was in place at the time of Mr J's passing and secondly, that the conditions for any payment under the terms of that plan had been met.

And, from what I've seen, there's two policies in play here - a 'Low Cost Mortgage Plan' that SWL state they hold limited information on and the 'FreeLife' plan that was mentioned on Mrs J's mortgage illustration that was highlighted to her by her Lloyds Bank Mortgage Adviser. I'll deal with each in turn.

#### Low Cost Mortgage Plan (policy D8XXXXX)

SWL have explained that from the searches they've undertaken, whilst they've been unable to locate details of a 'FreeLife' cover plan, they have identified one policy in the name of Mr and Mrs J – a 'Low Cost Mortgage Plan'. From the limited information SWL hold, it appears the policy was a unit linked endowment that started on 31 August 1990, had a term of 21 years and a sum assured of £15,000. The policy was designed to pay the sum specified in the event of the death of one (or both) of the lives assured during the term of the policy. In the majority of cases, the sum would cover the entirety of a mortgage, however from what I understand, there was no obligation that consumers use any proceeds to repay their borrowing.

SWL state that the policy was 'closed' on 30 March 2007, but they were unable to confirm if that was because a claim was paid on the plan or because the direct debit was stopped. That's because, they say, given the passage of time that's elapsed since that date, they only hold limited records. But, just because SWL only has limited information about the plan dating back to this point, this doesn't mean that they've done something wrong – that's because firms are only required to hold onto information for as long as is necessary but in any event, they must follow the rules set out by the relevant data protection laws and Information Commissioners Office.

I've looked closely at the bank statements that Mrs J has very kindly provided as part of her submissions – she's stated that she doesn't hold bank accounts elsewhere. The last four direct debits of £36.38 for the plan appear to have been taken on 2 January 2007, 31 January 2007, 28 February 2007 and 2 April 2007. Mr J passed away on 25 February 2007 and the plan was 'closed' on 30 March 2007.

An amount of £15,085.63 was paid into Mrs J's Lloyds bank account on 12 April 2007, but unfortunately, it's not evident from the statements who that payment was from. Mrs J says the £15,085.63 payment was from her mother who gave her the monies to help her out financially following the death of her husband – she went on to explain that her mother also gave the same amount to her siblings at the same time.

Mrs J has explained that she attempted to retrieve the paying in slip from her local branch to corroborate this but was advised by them that they no longer held a copy of it. Aside from that credit, I could see no other monies of a significant value going into Mrs J's account at and the around the time of her husband's passing.

As part of my deliberations, I contacted Mrs J to explain that in order for me to be able to instruct SWL to make a payment to her, I'd need to be satisfied that the £15,085.63 was from her mother and not from SWL. So, I asked Mrs J to provide either copies of her mother's bank statements or evidence from her siblings that they had also received the same amount at the same time or indeed any other evidence that supported her claim that the £15,085.63 wasn't from SWL. Mrs J subsequently wrote to me on 11 October 2024 explaining that she wasn't able to provide any supporting information to demonstrate the £15,085.63 came from her mother.

I do very much appreciate that recollections will vary with the passage of time. But having given careful thought to the evidence presented to me, I'm satisfied that it's more likely than not that SWL did honour a life cover claim on the Low Cost Mortgage Plan (policy D8XXXXX). I say that because the sum assured on the policy (of £15,000), closely matches the payment that went into Mrs J's Lloyds Bank account on 12 April 2007 (£15,085.63), some 12 days after the policy 'closed'. I'm of the view that given the date of Mr J's death (25 February 2007), the additional £85.63 over the sum assured is likely a return of the last two premiums that were collected plus a small payment of interest. I also think that's likely because whilst the plan was closed on 30 March 2007, the direct debit taken on 2 April 2007 was never returned to Mrs J's account.

I am therefore satisfied that SWL does not need to take any further action in respect of this policy.

#### 'FreeLife' cover plan

Typically, when mortgage protection is put in place, a firm shares details of what and who is covered, the general exclusions and wider details of the plan with the policy holder(s). However, with the exception of the wording within the illustration that Mrs J's Lloyds Bank Mortgage Adviser has highlighted to her, Mrs J has not been able to share any evidence of a plan being in place with SWL. There's no policy documents or certificates and Mrs J appears to have had no letters detailing the plan. Mrs J says that the 'FreeLife' plan was built into the mortgage itself and it wasn't a separate payment that came out of her bank account, hence the name 'FreeLife' cover.

From what I've seen, a number of individuals at SWL have been involved in the effort to try and locate the 'FreeLife' policy that Mrs J believes she holds with them. Despite this, they've only been able to identify the one plan (policy D8XXXXX) that I've highlighted above. I have no reason to doubt SWL's searches have not been of a sufficient standard, or that they are withholding important information, but their endeavours have yielded no results.

But, that doesn't necessarily mean that there isn't a policy held elsewhere – and I'll explain why. To be clear, this complaint has been raised against SWL and that's because Mrs J's Lloyds Bank Mortgage Adviser recommended she direct her concerns to them. I've given thought to the relationships that Mrs J holds with the other firms involved in this case.

Mrs J's mortgage is with Lloyds Bank, which is part of Lloyds Banking Group, of which SWL is also a member. From the online search that I've completed, SWL were not purchased by Lloyds Bank until March 2000. Given Mrs J took her mortgage out some 10 years earlier, this was before Lloyds Bank purchased SWL. And it would seem that Mrs J's 'Low Cost

Mortgage Plan' that I've referred to above wasn't originally a SWL endowment, it was arranged by the Black Horse Life Assurance Company Limited which was originally part of Lloyds Bank and was subsequently taken over by SWL. So, it doesn't necessarily follow that any life cover arranged in 1990 would automatically be with SWL.

However, I do think SWL could do more to assist Mrs J in exhausting all lines of enquiry about this issue. In SWL's email to this service of 29 May 2024, SWL stated that Mrs J's complaint about 'FreeLife' cover would be dealt with by Lloyds Bank which is "a different part of the business entirely". I agree with SWL that it would seem Mrs J's concerns are likely better explored by Lloyds Bank. However, the consumer is nearly 80 years old, widowed and relies on family members to help her. I well suspect that in making her complaint to SWL, Mrs J considered that her concerns would be passed to the most appropriate team in Lloyds Banking Group that would be able to assist her and I also suspect that having to explain the entire chain of events again will likely result in further frustration to her.

Given it was Mrs J's Lloyds Bank Mortgage Adviser that directed her to SWL in the first place, I think it's not unreasonable that SWL should do a warm handover to their colleagues in Lloyds Bank mortgages to explore their legacy records for her.

SWL haven't been able to locate a 'FreeLife' policy that matches what Mrs J believes she may be entitled to and unfortunately, she hasn't been able to provide any evidence to support her claim that such a policy exists with them. So, whilst it may seem unfair to Mrs J, aside from the endowment plan that I've mentioned above which I'm satisfied that SWL did honour a death claim on, I've not been persuaded that there was a further 'FreeLife' policy in place with SWL at the time of Mr J's passing. Whilst I appreciate that my decision will come as a disappointment to Mrs J, I'm not upholding her complaint about the 'FreeLife' cover.

When I issued my provisional decision, I asked SWL to highlight Mrs J's concerns about the 'FreeLife' cover to their colleagues in the Lloyds Bank mortgage team. I also asked SWL to arrange for Lloyds Bank to liaise directly with Mrs J to identify whether they hold any records about such a plan to ensure all lines of enquiry are exhausted. I explained to SWL that I didn't think it was fair or reasonable for Mrs J to have to re-explain her position again to another department within Lloyds Banking Group, especially given it was a Lloyds Bank mortgage adviser that recommended Mrs J complain to SWL in the first place.

#### Responses to my provisional decision

After receiving my provisional decision, SWL stated that they had no further comments to make.

Mrs J responded explaining that she accepted the decision about the £15,000 endowment plan. She went on to explain that she was disappointed it had taken over 16 months to identify and separate the endowment from the 'FreeLife' cover. Mrs J also explained that she was frustrated that she'd been passed from one person to the next with no one giving her any answers about the 'FreeLife' cover plan.

#### **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.

As no new evidence has been submitted to me, it therefore follows that I have reached the same conclusions for the same reasons that I set out above.

### **My final decision**

I'm not upholding Mrs J's complaint against Scottish Widows Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 26 November 2024.

Simon Fox  
**Ombudsman**