

The complaint

Mr and Mrs B's complaint is that they were mis-sold a mortgage endowment policy that Newcastle Building Society is now responsible for. They have said they were told it would pay off the mortgage and give them an additional lump sum. However, the term of their mortgage has ended and they have not been contacted about their policy and received no money from it.

What happened

Mr and Mrs B have told us they were recommended an interest-only mortgage and mortgage endowment policy in 1990 by Universal Building Society. Universal Building Society merged with Newcastle Building Society in 2006.

Mr and Mrs B paid off the mortgage in 2003.

Mr and Mrs B complained in early 2024. Newcastle Building Society responded to the complaint in a letter of 12 April 2024. It said that as the mortgage was paid off before the merger it no longer had records of the endowment policy sale or the mortgage account. It also considered that the complaint had been made too late under our rules, and so we might not be able to consider it.

Mr and Mrs B were unhappy with Newcastle Building Society's response and asked this Service to consider their complaint.

One of our Investigators considered the complaint, but he didn't recommend that it be upheld as there was insufficient information to evidence that Newcastle Building Society had done anything wrong.

Mr and Mrs B were not happy with the Investigator's conclusions. They said they had proof that they were paying into the endowment policy and repeated that they were not told that there was going to be a shortfall and the mortgage was not going to be paid off. They asked that the complaint be reviewed again. Mr and Mrs B subsequently provided two documents, one of which confirmed the mortgage had been set up on an endowment basis. The other document was a copy of two pages of a passbook that didn't provide any details of the account it related to. No documentation directly relating to the endowment policy was supplied.

As Mr and Mrs B were unhappy with the Investigator's conclusions, it was decided the complaint would be referred to an ombudsman 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.

Mr and Mrs B have evidenced that their mortgage with Newcastle Building Society was on an "endowment" basis, meaning that it was on an interest-only basis and there should have

been an endowment policy in place to repay it. This would support that the building society believed that an endowment policy was being set up in 1990 when the mortgage was taken out. However, that policy would have been with a third-party life assurance company, not the building society. As such, the monthly payment to the policy would have been paid directly to the life assurance company, most likely by direct debit from Mr and Mrs B's bank account, not paid as part of the mortgage payment. It would also have been the life assurance company that would have kept them informed about the progress of their endowment policy, including telling them if there was likely to be a shortfall at maturity.

I have considered the information that Mr and Mrs B have provided recently, and it confirms that the mortgage was set up on an interest-only basis and the building society believed there was an endowment policy in place to protect and repay it. However, it provides no information about the endowment policy itself – what life assurance company it was with, what type of endowment policy it was or even if it was ever set up.

Newcastle Building Society has said that it believes the complaint may be time-barred under our rules as it is more than six years since the mortgage was repaid. Without having some information about the policy, it is not possible to know when Mr and Mrs B ought reasonably to have had the knowledge they had cause for complaint, and so I don't consider that their complaint would be time-barred under our rules.

However, in order to uphold a complaint, I need to be satisfied that the building society recommended the endowment policy to Mr and Mrs B, and that it did something wrong when it did so. Without any information about the endowment policy, it is not possible to know whether Newcastle Building Society is responsible for any advice Mr and Mrs B received to take an endowment policy or, if it was, to know whether the policy was suitable for them. As such, I can't uphold this complaint.

As I have mentioned above, it would have been the life assurance company's responsibility for keeping Mr and Mrs B up to date about their endowment policy. The fact that they have not received any information in recent years would indicate that the policy may have been surrendered or lapsed some time ago. Alternatively, if Mr and Mrs B have moved, it may be that they didn't update their address with the life assurance company and it doesn't know where they live. If Mr and Mrs B find any documentation that tells them which life assurance company the policy was with, and they contact that company, it may be able to give them further information about what happened to their policy.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs B to accept or reject my decision before 6 January 2025.

Derry Baxter
Ombudsman