

## **The complaint**

Mrs T's complaint is that National Westminster Bank Plc (NatWest) incorrectly claimed money from a life assurance policy that should have been paid to her and used that money to reduce a mortgage that was not in Mrs T's name.

## **What happened**

In 1992 Mrs T and her then husband (Mr T) took out a joint life assurance policy. The policy was designed to pay out £26,837 in the event of the first of the lives assured's death. The standard policy terms meant that the death benefit would be paid to the surviving life assured in the event of a death claim. However, in 1996 Mr and Mrs T "assigned" the policy to NatWest, along with other life assurance policies, to protect their joint mortgage in the event of death before the end of its term. The assignment essentially meant that in the event of a claim, the money would be paid to NatWest to be paid off the mortgage balance.

The assignment detailed a specific mortgage account, so when the mortgage was repaid, the assignment ended. NatWest should have informed the life assurance company that its interest in the policy had ended. The life assurance company has confirmed that it has no record of such a notification being made.

When Mr T died in 2021, Mrs T contacted the life assurance company to claim the death benefit from the policy. The executor of Mr T's estate also made a claim under the policy. The life assurance company confirmed to both Mrs T and, separately, the executor of Mr T's estate, that the policy was assigned to NatWest. As such, it could not release the claim funds to either party unless NatWest confirmed that it had no further interest in the policy.

On 19 May 2022 a member of NatWest staff from what appears to be the executor's local branch completed a claim form for the death benefit of the policy. This appears to have been completed at the request of the executor, as that individual also signed the form on the same day. The claim form instructed the life assurance company to pay the money to a mortgage account with NatWest – not the one that the policy was originally assigned to. The executor sent the claim form to the life assurance company on 26 May 2022. The life assurance company paid the death benefit to NatWest on 7 June 2022 and NatWest applied the money to the mortgage account in line with the payment reference.

Mrs T, and later her solicitors, asked NatWest to provide a letter of no further interest in the policy so that the assignment could be removed and the claim paid. It was highlighted that the mortgage the policy had been assigned to had been repaid around 20 years earlier. I don't have any dates for when Mrs T contacted NatWest. However, Mrs T's solicitors sent letters to NatWest on 13 June, 22 June, 12 July, and 11 August 2022.

NatWest's mortgage servicing centre provided a letter of no further interest in the policy on 17 June 2022.

Mrs T complained to NatWest that it should not have taken the money from the policy and should not have used the funds to partially repay a mortgage she was not a party to. A

complaint was also made to the life assurance company on the basis that it should not have paid the money to NatWest.

NatWest responded to Mrs T's complaint about the policy assignment in a letter of 9 March 2023. It confirmed the policy was assigned to a mortgage with it, and that mortgage had been redeemed around 2002. At that time, the title deeds and policy documents would have been forwarded to solicitors and NatWest's interest in the policies should have been released. However, following Mr T's death, it received money from the life assurance company with the instruction to pay it off the mortgage Mr T had with NatWest at the time of his death. As such, NatWest was satisfied that it had followed the correct procedures in 2022 and had not made an error.

Mrs T referred the complaint to this Service. When she did, NatWest said that it didn't think she was an eligible complainant, as the mortgage involved in the 2022 transaction was not in her name. One of my Ombudsman colleagues considered the matter of our jurisdiction and set out why Mrs T was an eligible complainant. NatWest accepted my colleague's findings.

The Investigator then went on to consider the merits of the complaint. Ultimately, he didn't uphold the complaint. As Mrs T's complaint about the actions of the life assurance company in paying out the policy benefits to NatWest was being referred to an Ombudsman, she asked that this one was too.

I issued a provisional decision on 12 December 2024, in which I set out my conclusions and reasons for reaching them. Below is an excerpt.

*'Both of Mrs T's complaints have been referred to me so I would like to assure the parties that I have considered all of the evidence that applies regarding the circumstances and the actions of both NatWest and the life assurance company.'*

*This complaint turns on the issue of the policy assignment. Given the nature of the assignment, when the mortgage specified in the assignment document was repaid, NatWest's interest in the policy ceased. It should have informed the life assurance company of this fact.*

*It is not clear why the life assurance company was not aware in 2021 that NatWest's interest in the policy had ceased around 2002. It may be that NatWest didn't do what it should have done and the policy was not reassigned at that time. Alternatively, it is possible that it did, but its letter was not received by the life assurance company, or alternatively the life assurance company did not record the reassignment. At such a distance in time, it is not possible to know why the policy was not reassigned and the problems Mrs T encountered happened. However, I don't think the reason why the assignment was not removed from the policy matters to the outcome of these cases.*

*The money was only paid out by the life assurance company when it received a claim form signed by NatWest. NatWest knew – or ought to have known – at the time it completed the claim form that it did not have an interest in the policy. Quite simply, NatWest should not have signed the claim form instructing the life assurance company to pay the policy benefit to it. I note that the claim form was signed at branch level, rather in one of NatWest's mortgage servicing centres, as I would have expected. While the branch may not have had access to all of the information needed to know that NatWest no longer had an interest in the policy, that does not negate the mistake.*

*When considering redress to put right an error made by a financial business, we aim to place a consumer in as close a financial position as possible to that which they would have been in, had the error not been made. In this case, NatWest should have provided the letter of no*

*further interest to the life assurance company when it was first informed that there was still an assignment showing on the life assurance company's records. If that had happened, I am satisfied that under the policy terms, the policy benefits would have been paid out to Mrs T, once the life assurance company was provided with the necessary documentation needed to evidence Mr T's death and Mrs T's identity.*

*Having reviewed the contact notes NatWest has provided, it appears that the executor informed NatWest on 16 November 2021 that the life assurance company had told her that NatWest owned the policy. At this point NatWest identified that there were no policies assigned to the mortgage. While it made limited attempts to speak to the executor about the subject, it was not able to do so until 18 May 2022, and even then the information about the policy was limited as the executor confirmed a claim had been made.*

*Mrs T has told us that she contacted NatWest about the policy. This contact would not have been attached the mortgage account notes, as Mrs T had no details of it. So the information NatWest has provided regarding contact about the policy doesn't include any contact from Mrs T. However, given that Mrs T was informed by the life assurance company at the end of 2021 that she would need to get NatWest to release its interest in the policy before the benefits could be paid out, I think it likely that Mrs T contacted NatWest in early 2022 at the latest. This would be supported by the timing of Mrs T arranging her solicitors to intervene, as she's confirmed that happened after NatWest ignored her. Unless the parties can provide documentary evidence of the dates Mrs T contacted NatWest about having the policy reassigned, I propose to assume it occurred by the middle of February 2022 and reasonably, NatWest should have provided its letter of no further interest at the end of that month and the life assurance company would have had it by 1 March 2022.*

*As the executor had provided the life assurance company with Mr T's death certificate in November 2021, at that point all Mrs T would have needed to do would be to complete the claim form and provide identification documents to the life assurance company. So it would seem reasonable that Mrs T would have received the funds from the policy by the end of March 2022 at the latest.*

*Mrs T has told us that she only involved her solicitors due to NatWest not responding to her about the reassignment. This seems entirely plausible and as such, I consider that the legal costs incurred in relation to obtaining the letter of no further interest should be reimbursed. However, I do not consider that Mrs T would reasonably have needed representation to make a complaint to NatWest or to later refer it to this Service. So I don't consider that any charges the solicitors have made for that assistance should be reimbursed by NatWest.*

*The matter has also clearly caused Mrs T upset and inconvenience. I think it reasonable that NatWest compensate her in this regard.'*

*I then set out in the provisional decision that I was minded to require NatWest to pay Mrs T an amount equal to the death benefit from the life assurance policy plus interest. In addition, it was to pay the legal costs she had incurred, prior to making a complaint, due to NatWest's misunderstanding and error. I was also minded to award a sum of £500 compensation for the upset and inconvenience Mrs T had suffered due to NatWest's actions.*

*Mrs T accepted my provisional decision. NatWest did not. It said that if it were to pay the award I detailed in my provisional decision, it would need to recover the funds from Mr T's estate. It said that it felt it very unfair that NatWest should be held liable for the amount of the death benefit from the life assurance policy. It also made comment about what it was willing to do in relation to the late Mr T's mortgage, if Mrs T agreed to the money from the life assurance policy remaining with Mr T's estate.*

Our Investigator responded to NatWest to reiterate that there were two individuals called Mrs T involved in the events involved in this case. He again set out their relationship to the deceased Mr T and what that meant in relation to the life assurance policy. NatWest didn't provide any further comment.

### **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.

I have considered NatWest's comments. Despite us highlighting in the covering letter that accompanied my provisional decision that it had had dealings with two separate individuals called Mrs T in relation to the benefits of the life assurance policy, it does not appear that NatWest has understood that is the situation. To be clear, the complainant in this case, is Mr T's ex-wife and the joint policyholder of the life assurance policy. The other Mrs T that NatWest appears to have had a significant amount of contact with, in relation to the life assurance policy and his mortgage was Mr T's wife at the time of his death, and later became his executor.

Due to NatWest's branch staff completing the claim form for the benefits of the life assurance policy before its central mortgage department sent the letter of no further interest, the money from the policy was paid to Mr T's estate. Had NatWest not done that, or had it provided the letter of no further interest at an earlier point, the money would have been payable to Mrs T – Mr T's ex-wife – not his estate.

I remain satisfied that NatWest claimed the funds from the life assurance policy in the knowledge that the assignment was no longer valid and it should not have done so. Had this not occurred, the funds claimed would have been paid to Mrs T, the complainant in this case, in line with the terms and conditions of the life assurance policy. As such, NatWest needs to place Mrs T in the position she would have been in, had the error not occurred.

NatWest has commented that if it pays Mrs T the award I set out in my provisional decision, it would have to pursue Mr T's estate for the funds. What NatWest decides about recovering the funds that were incorrectly paid to Mr T's estate is not a matter for me to comment on in this decision, as it does not affect the outcome of this complaint or Mrs T as a complainant.

### **Putting things right**

In settlement of the complaint, NatWest should:

- pay Mrs T £26,867 plus interest\* from 1 April 2022 to the date of settlement.
- reimburse the legal costs Mrs T incurred dealing with NatWest prior to her making a complaint. Interest\* should be added to this sum from the date she paid the legal costs to the date of settlement. If she has not yet paid, no interest will be payable.
- pay £500 for the upset and inconvenience she has been caused because of the poor service she received in relation to the provision of the letter of no further interest, and that caused by NatWest incorrectly claiming the policy benefit.

\*Interest is at a rate of 8% simple per year and paid on the amount specified and from/to the dates stated. If NatWest considers that it's required by HM Revenue & Customs to deduct income tax from any interest due to Mrs T, it should tell her how much it's taken off. It should also give Mrs T documentation showing this for use with HM Revenue & Customs.'

**My final decision**

My decision is that I uphold this complaint. I order National Westminster Bank Plc to settle the complaint as detailed above in 'Putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 7 February 2025.

Derry Baxter  
**Ombudsman**