

DRN-5256446



## **The complaint**

Mr and Mrs P are unhappy that Nationwide Building Society mis-sold them a number of personal protection insurance policies.

## **What happened**

I issued my provisional decision in December 2024 explaining why I was intending to partially uphold this complaint, an extract of which is set out below:

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I've been provided with document from Nationwide reflecting the advice received in early 2012. Having considered this, I'm satisfied that:

- Nationwide recommended Mr and Mrs P take out a number of personal protection policies alongside two interest only mortgages.
- Mrs P was advised to take out a mortgage term assurance policy to cover the amount of mortgage 1.
- Mr P was advised to take out a mortgage term assurance policy with critical illness to cover the amount of mortgage 1.
- Mr and Mrs P were both advised to take out a mortgage term assurance policy with critical illness protection to cover the amount of mortgage 2.
- At the time, Mr and Mrs P could only afford life cover.
- A further recommendation was made for Mr and Mrs P to take out a joint mortgage term assurance policy for the amount of mortgage 1 and a separate joint mortgage term assurance policy for the amount of mortgage 2.
- It's reflected that both recommendations were accepted.

When making this recommendation, Nationwide had an obligation to ensure that the policies were suitable for Mr and Mrs P's needs. And it also had to give them clear, fair and not misleading information about the key features of the policies.

The documents from the time are incomplete, which isn't surprising given how long the policies were sold. Where I have limited information – or the information is contradictory – I've considered what has most likely happened on the balance of probabilities.

As Mr and Mrs P were taking out two interest only mortgages for separate amounts, I'm satisfied that a recommendation to take out life insurance cover for the amount of the mortgages was suitable in principle. In the event of either Mr or Mrs P dying, the policies would've benefited the surviving spouse by paying off the mortgages. And from what I've seen, I don't think anything else made the recommendation unsuitable at the time.

However, Mr and Mrs P didn't end up with the two joint policies they were recommended. Mr P ended up with two mortgage term life assurance policies. And around six months later Mrs P also ended up with two mortgage term life assurance policies.

There could be many reasons for this, but I'm satisfied that Nationwide hasn't been able to establish why Mr and Mrs P ended up with two policies each in their sole names, rather than the two joint policies recommended to them. And this caused Mr and Mrs P financial loss because:

- the recommendation document says the two joint policies would cost Mr and Mrs P £99.38 and £45.85 per month respectively.
- Mr P paid £49.78 and £23.61 per month respectively for both policies in his sole name (although one of the policies had a benefit amount of £24,000 more than the benefit detailed in joint policy recommended to cover the amount of mortgage 2 and over a shorter term of 19 years rather than 24 years. Based on what I've seen I'm not satisfied that there was a suitable reason for the benefit increasing and term decreasing from the original recommendation).
- Mrs P paid £53.34 and £24.80 per month respectively for both policies in her sole name (although, like Mr P, one of the policies had a benefit amount of £24,000 more than the benefit detailed in joint policy recommended to cover the amount of mortgage 2 and provided cover for five years less).
- Mr and Mrs P were therefore paying £103.12 for the two policies in sole names which covered the amount of mortgage 1 (instead of £99.38 per month if the policy had been held jointly as recommended) – a difference of £3.74 per month. And £48.41 per month for the two policies in sole names which was initially recommended as a joint policy to cover the amount of mortgage 2 (instead of £45.85 per month) – a difference of £2.56. That's a total of £6.30 per month.

So, overall, I don't think Nationwide acted fairly and reasonably by selling Mr and Mrs P policies which weren't in line with Nationwide's documented recommendations from the time.

I've gone on to consider whether Mr and Mrs P were given clear, fair and not misleading information about the policy terms.

Even if Mr and Mrs P weren't given all the information which they ought to have received about the key feature of the policies, on the balance of probabilities, there's nothing which I've seen which persuades me that they would've been put off taking out life cover.

When making this finding, I've taken into account that Mr and Mrs P say they were told by Nationwide's representative that the policies were an improved version of an endowment policy with a guaranteed sum insured. And in case of a shortfall, they were assured that they could increase the monthly premium or reduce the insured amount, or alternatively cash in the policies at any time and receive a pay-out.

It's possible that Mr and Mrs P were told this, however, that's not reflected in the recommendation document I've seen or referred to in any paperwork from 2012. I'm also conscious that this all happened over ten years ago, and memories tend to fade. Overall, on the balance of probabilities, I don't think Mr and Mrs P were given misleading and inaccurate information about the way in which the policies worked and the circumstances in which payment under the policies could be made.

### **Further policies**

Nationwide also sold Mr and Mrs P two further policies towards the end of 2012; a joint life and critical illness insurance policy with a sum assured of £100,000, over a term of 18 years, costing around £140 per month and a joint life only insurance policy with a sum assured of £100,000, over a term of 18 years and a cost of £28.49 per month.

There are very little documents from the time to explain why these policies were sold to Mr and Mrs P. And I don't know if Nationwide recommended Mr and Mrs P to take them out or whether they were just given information about these policies.

However, even if Nationwide did recommend the policies to Mr and Mrs P, based on the limited information available, I'm satisfied that they weren't unsuitable.

Nationwide had identified a need for critical illness cover earlier in 2012 and I'm satisfied that Mr and Mrs P said they couldn't afford cover then and wanted to proceed with life insurance only. However, given that they had the liability of two interest only mortgages, I'm satisfied that they would benefit from a policy providing £100,000 benefit should one of them be diagnosed with a critical illness and in principle, this type of cover was suitable for them.

It's not clear why the term of the policy was less than the mortgage term, but it still provided cover for 18 years, so I don't think the term of cover made the policy unsuitable in the circumstances of this case. And I've seen nothing to conclude that it wasn't affordable then.

Further, although they already had life assurance cover, I don't think two further policies providing life insurance of £100,000 each was unsuitable in principle as the existing policies they had in place, covered the mortgage amounts. However, I think it's reasonable to assume that they were likely to have other financial commitments and overheads at the time, so given that they were married I don't think it's unreasonable to recommend additional life assurance cover should one of them died within the next 18 years to provide the other with some financial stability.

Looking at some of the key features of these two joint policies contained on the insurance schedules, I'm satisfied that they were given some information about them. And although I haven't been given all the key features of the policy, I haven't been told about any circumstances relating to Mr and Mrs P at the time which leads me to conclude that they wouldn't have taken out these two policies if they were given more information.

.....

I invited both parties to provide any further information in response to my provisional decision.

Nationwide replied, accepting my provisional findings. Mr and Mrs P also replied. They disagreed with what I was intending to find. In summary they said:

- Nationwide's representative misrepresented the policies as offering features they didn't provide. For example, the representative said the policies resembled improved endowment plans with a guaranteed sum insured. It was only in 2023, when they decided to cash out some policies, that they were told they could only claim if something happened to one of the policyholders.
- The policies failed to meet their original objective of securing adequate joint mortgage coverage and left them financially vulnerable.

Mr and Mrs P also reiterated what they wanted Nationwide to do to put things right for them and provided documents.

## **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.

That includes all points made by Mr and Mrs P in response to my provisional decision which I've only summarised above. I thank Mr and Mrs P for the time taken putting their response together. However, I had taken many of these points into account when provisionally deciding this complaint as they'd been raised by Mr and Mrs P previously.

Mr and Mrs P also say they had significant savings around the time of applying for the policies, no other financial commitments and no overheads to be concerned about. However, Mr and Mrs P were taking out significant borrowing over a lengthy period of time and although they had savings, they may not have done so at a future date if one of them was diagnosed with a critical illness or had died. Therefore, I remain satisfied that a recommendation to have life and critical illness cover was, in principle, suitable.

So, I'm satisfied that there's no compelling reason for me to depart from my provisional findings. For this reason and for reasons set out in my provisional decision (an extract of which is set out above and forms part of this final decision), I partially uphold Mr and Mrs P's complaint.

## **Putting things right**

I direct Nationwide to pay Mr and Mrs P:

- the difference between what they would've paid for the two joint policies recommended in early 2012 and the total they ended up paying from the date on which Mrs P's two policies in her sole name started in September 2012. This should continue until either the date on which the Financial Ombudsman Service notifies Nationwide that Mr and Mrs P accept any final decision along the lines above, or if earlier, the date on which any of the four policies Mr and Mrs P ended up with in their sole name (rather than the two joint policies they were recommended) lapsed or were cancelled (as the continuing financial loss would've ended at that stage). Nationwide should also provide Mr and Mrs P with a breakdown of the amounts being refunded to them.
- simple interest at a rate of 8% per year on each monthly overpayment to the date of settlement, or if earlier, the date on which any of the four policies Mr and Mrs P ended up with in their sole name (rather than the two joint policies they were recommended) lapsed\*.
- £350 compensation for distress and inconvenience of being sold four policies in sole names not in line with the initial recommendation. I'm satisfied this has confused and upset Mr and Mrs P and put them to the trouble of having to challenge what happened.

\* If Nationwide considers it's required by HM Revenue & Customs to take off income tax from any interest paid, it should tell Mr and Mrs P how much it's taken off. It should also give them a certificate showing this if they ask for one. That way Mr and Mrs P can reclaim the tax from HM Revenue & Customs, if appropriate.

## **My final decision**

I partially uphold this complaint and direct Nationwide Building Society to put things right as

set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs P to accept or reject my decision before 11 February 2025.

David Curtis-Johnson  
**Ombudsman**