

## **The complaint**

Mrs D complains that St. James's Place Wealth Management Plc ('SJP') mis-sold her a life assurance policy.

## **What happened**

In 2013 Mrs D was advised by SJP to take out a term assurance policy to ensure in the event of her passing during the mortgage term that a sum of money would be paid to cover the outstanding capital of her buy to let mortgage. The policy taken out was done so on a decreasing basis for a term of 7 years, with an initial sum assured of £130,000 which would decrease annually given the type of cover.

Following a discussion with her representatives about this policy, she thought to complain about the way it was sold to her. In her complaint, which her representatives made on her behalf, she said:

- The policy was mis-sold because the term of mortgage was longer than the policy SJP advised, and that it wasn't suitable based on her circumstances.
- SJP had no information about the mortgage so it couldn't assess the correct policy for her.
- The charges weren't clear.
- Waiver of premium benefits were included at an additional cost which she didn't have a need for.

SJP wasn't able to issue a final response within eight weeks and as Mrs D continued to feel the policy was unsuitable for her, she referred her complaint to our service to consider. One of our Investigators looked into her complaint but didn't think it should be upheld. He said this was because the policy was suitable for her based on her circumstances at the time. He also said the waiver of premium benefit wasn't mis-sold where it provided benefits that would've been useful to her.

Mrs D, through her representatives, didn't agree. In responding to our Investigator her representatives said:

- SJP hadn't taken the mortgage terms and documents from Mrs D to validate the mortgage type.
- It ought to have been clear to SJP the mortgage was interest-only based on what Mrs D told it about the monthly payment and term of the mortgage.
- It also thought where the mortgage was on a buy-to-let basis it ought to have been clear it was interest-only by its nature.
- In such circumstances a decreasing term policy would be unsuitable.

Our Investigator reconsidered his outcome following those further submissions and agreed a level term, rather than decreasing term, might have been more suitable. But Mrs D didn't need to claim on the policy and still had the benefit of the cover in return for the premium paid. As the policy was no longer in place Mrs D wasn't in a worse position had she been

sold the wrong type of cover, because the correct type would've been much more expensive. Because that he didn't agree Mrs D was due compensation from SJP.

Responding to the updated outcome, Mrs D's representatives considered that as our Investigator had in effect said the advice was unsuitable, Mrs D should be compensated. SJP didn't respond.

As an agreement wasn't reached the complaint was passed to me to decide.

### **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'm satisfied from reviewing the evidence available that SJP gave advice when it sold this policy to Mrs D. I say this because it took her through a fact-find and gave its recommendation based on the information it took from her. As it gave her advice leading to a life assurance product, it needed to ensure what it recommended was suitable for her.

I've carefully reviewed the fact-find to understand what SJP asked Mrs D about her circumstances and needs when it met with her. This shows the following key information was recorded from SJP's discussions with Mrs D:

- The purpose of the meeting was to look at protection plans for a recently taken out buy-to-let mortgage.
- She was 59, married with two adult daughters and in good health.
- She was in full-time employment, working for her husband's company.
- She was entitled to 12 months full sick pay.
- Her income was £2,884 each month with a net disposable monthly income of £404.
- She had no specific future plans for her finances.

Around the mortgage she had recently taken out:

- It had a term of 7 years.
- The monthly payment was £680.
- It was arranged on a capital repayment basis.
- The outstanding amount was around £130,000.

Based on this information, SJP recommended a decreasing term assurance policy with a term and initial sum assured to match the mortgage, along with the waiver of premium benefit. The charge for this advice were included within the premiums and paid to SJP by the product provider, the cover quote for the policy recommended clearly shows this arrangement and the amounts payable to SJP. I've not seen those charges were unfair where they were set out clearly, reasonable for the service provided and Mrs D accepted the cover of the basis of the premium being charged.

A decreasing term policy would usually be recommended for a capital repayment mortgage when there are no other protection needs required. This is because the policy reduces the sum assured annually aiming to cover the outstanding mortgage balance as it falls. This provides a cost effective way of providing assurance for this type of mortgage where it can cover the mortgage balance while avoiding over-insuring the policyholder. The mortgage and policy in effect look to roughly match follow each other and in the event of a claim would generally cover the outstanding mortgage balance – depending on the values of the sum assured and mortgage balance.

Mrs D's policy was sold a long time ago and I don't have all the evidence I would usually want to see. But looking at the information that is available, I think SJP ought to have realised the information it was given, or how it recorded it, was likely inaccurate. I say this because SJP has noted the mortgage was a capital repayment mortgage, but that doesn't fit with the other information it was given about the outstanding balance, monthly payment and term.

Based on those figures as recorded on the fact-find, if the mortgage was a repayment mortgage then the monthly payment wouldn't have been enough to repay the mortgage capital and interest. I say this because the payments wouldn't have covered the capital on its own, let alone the capital and interest of a repayment mortgage, where Mrs D would only be repaying £57,120 against the capital alone of £130,000.

Looking at historic mortgage rates for June 2013 as they were in Moneyfacts, there was a variety of interest offerings at the time, typically from around 3.5 to 6%. Given Mrs D's mortgage was shorter than a typical mortgage and on a buy-to-let basis which typically cost more, I think that likely would explain why her mortgage rate was slightly above those top rates. From my calculations her interest rate should this mortgage have been interest-only was likely around 6.3%, which given the circumstances of her mortgage, I think would likely be in line with interest-only buy-to-let mortgage rates at the time.

Given those two factors, the payments not being enough to cover the full mortgage and the mortgage fitting in with interest-only buy-to-let mortgage rates at the time, I think it's likely her mortgage was interest-only, rather than the repayment basis SJP recorded.

I accept SJP is entitled to rely on the information Mrs D gave it. But in these circumstances I think the information it had showing the payment and term being insufficient to cover the mortgage ought to have led it to question the type of mortgage further, which I've not seen it did. I say this because the information it had was inconsistent and the type of mortgage was fundamental to the advice it was going to give. In my view it ought to have been reasonably aware the mortgage type needed further investigation and had it, then it likely would've realised it was interest-only.

If it were the case then than Mrs D had an interest-only mortgage, then a decreasing term assurance policy in her circumstances wouldn't be suitable. As on her passing she could leave a large portion of the mortgage unprotected and the needs discussed with SJP were to cover the mortgage in full.

It follows then that I think it's likely SJP advised Mrs D to take out the wrong type of life assurance for her needs. But had it realised that the mortgage was interest-only, it likely would've advised her to take a level-term assurance policy instead – which maintains the same sum assured throughout the life of the policy.

Given the higher level of cover those policies provide, the policy SJP would've likely recommended in such event would've likely cost more than the policy she had. It follows then I think it's likely she would've taken life cover at some kind where she had a need, but that would've come at a higher cost cover compared to the policy she actually took out, and that this policy would've also lapsed due to natural expiry. Although the advice was likely unsuitable for her, I'm not persuaded Mrs D has incurred a financial loss or incurred a detriment by taking out the wrong type of cover where she survived it and likely paid less than she otherwise would've. It follows then I won't be directing SJP to compensate her for it.

I've also considered what Mrs D has said in her complaint about the waiver of premium benefit. Given the time that has passed, there's limited information available about the

benefit this offered. Typically, these allow the policy to continue without the premiums being paid in the event of ill-health or sickness. The additional cost for this benefit was around £3 per month. While Mrs D told SJP she had 12 months full sick pay, waiver of premium benefits typically last until the policy runs to term or when the policyholder reaches retirement ages. The benefit then was inexpensive for the protection it offered and would likely last longer than her sick pay could've. I also note the suitability letter sent following the advice demonstrates this benefit was discussed in some detail and it recalls Mrs D responding positively to the cost and benefits of the benefit, indicating she thought the benefits were useful to her for the low cost.

It follows then I think SJP fairly sold the waiver of premium benefit with the policy.

### **My final decision**

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 18 July 2025.

Ken Roberts  
**Ombudsman**