

## **The complaint**

Mr and Mrs G complain Scottish Widows Limited, trading as Halifax Financial Services (HFS) haven't refunded the premiums that have paid towards their Mortgage Cover Plan since repaying their mortgage in full.

## **What happened**

In April 2002 Mr and Mrs G took out a joint life insurance policy alongside a mortgage, for protection in the event of death or critical illness. The initial sum assured amount was £57,000 for a premium of £23.45 per month. The policy was set up on a decreasing basis with the policy term due to end on 8 April 2025.

On 25 February 2025 HFS wrote to Mr and Mrs G to let them know their policy was going to end soon and the final premium collection would be after 8 March 2025. Mr and Mrs G were surprised to receive this letter as they thought the cover was no longer in place.

They emailed HFS on 10 March explaining they had settled their mortgage in August 2022 and didn't reach out sooner to cancel the policy as they thought the direct debit payment was for a pension. They requested a refund of the premiums paid since redeeming their mortgage as there had been no outstanding mortgage, nor had any claims been made.

On 14 March 2025 HFS responded to Mr and Mrs G explaining the policy was independent life cover, even if it was taken out at the same time as their mortgage. As there hadn't been an earlier request to cancel HFS weren't prepared to refund the premiums paid.

Mr and Mrs G raised a complaint with HFS. They sent a final response back to Mr and Mrs G on 24 March 2025 not upholding their complaint and reiterated that they hadn't been contacted to stop the policy sooner, so there was no refund due.

Mr and Mrs G referred the complaint to our service. One of our Investigators looked at the complaint but said HFS didn't need to do anything, as it's the policyholder's responsibility to inform the business if they no longer require the policy. They explained that as the policy is separate to the mortgage Mr and Mrs G still benefitted from the cover in the event of a successful claim until the end of the term, or until the policy was cancelled.

Mr and Mrs G disagreed. They acknowledged that it was their responsibility to notify HFS that the policy was no longer needed. However, the underlying risk the policy was designed to cover - namely the outstanding mortgage - had been entirely eliminated. Therefore, they felt there was no insurable risk. It was also not in line with the principles of fairness and good customer treatment.

The Investigator wasn't minded to change their findings so the complaint has been passed to me to make a final decision.

## **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.

Having done so, I agree with the conclusions reached by our Investigator for broadly the same reasons.

The crux of Mr and Mrs G's complaint is that the policy didn't automatically come to an end when they paid off the mortgage and no longer needed the cover. It's not in dispute that the original intended purpose of the policy was to run alongside their mortgage, or that Mr and Mrs G didn't tell HFS when they paid off the mortgage. It also appears that Mr and Mrs G felt it unnecessary to continue the policy once they were in a position to pay off their mortgage – in other words, I understand they didn't want to have the cover in place regardless of the mortgage.

So, for me to decide if HFS have acted unfairly in the circumstances by retaining the premiums paid since the mortgage was redeemed, I have to think about whether the policy itself was tied to the mortgage (for the ultimate benefit of the mortgage provider) or if it was a separate plan that ran alongside for the benefit of the lives assured.

From the evidence available to me, I can't see the policy was assigned to the mortgage lender. And the policy was taken out on a decreasing term basis, which typically means it wouldn't be tied to the mortgage provider. This is important because it means there's no link between the mortgage and the policy – they are essentially unrelated products.

As the policy was separate to the mortgage taken out in 2002, the responsibility to cancel the cover would be with the policyholders rather than HFS. I can see the mortgage appears to be with a different lender to the Lloyds Group so in my view it would have been very unlikely that HFS would have known the mortgage had come to an end unless Mr and Mrs G informed them.

Mr and Mrs G said that as the purpose of the cover was eliminated when they repaid the mortgage there wasn't any insurable risk. However, I don't agree with this. The policy is designed to benefit the policyholders in the event of death or suffering from a critical illness covered under the policy terms. While I appreciate it is called a Mortgage Cover Plan, as the policy was separate to the mortgage, the cover can continue beyond its original intended purpose.

If Mr and Mrs G had needed to claim on the policy throughout the term before the mortgage was paid off, and made a successful claim, then there wasn't an obligation on them to use the payment to pay off any outstanding mortgage balance. Once the mortgage had been redeemed any successful claim proceeds could still have been used for any purpose. I also note the policy contained critical illness cover which would have been a useful element of protection even beyond redeeming the mortgage – for instance to help pay for care or adaptations to the home.

Mr and Mrs G have said that the principles of fairness and good customer service should be taken into account when deciding if the premiums should be refunded. I agree that fairness should be considered, but I don't believe HFS have acted unfairly by providing cover in receipt of premiums over the duration of the policy term. Many people keep cover in place following repaying a mortgage for various reasons – for instance if their health circumstances have changed and any new life cover is very expensive, they may decide to keep a decreasing term assurance policy in place just in case. So I'm not persuaded HFS acted unreasonably in refusing to refund any premiums.

I recognise this isn't the outcome Mr and Mrs G wanted but I'm satisfied that the policy was administered correctly.

**My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G and Mr G to accept or reject my decision before 28 October 2025.

Andy Hurle  
**Ombudsman**