

## The complaint

Mr G and Mrs M complain Quilter Financial Planning Solutions Limited mis-sold them a mortgage protection policy. They say the policy recommended is due to expire in a few years without value and is inadequate for their needs.

## What happened

In 2008, Quilter advised Mr G and Mrs M to take out a mortgage protection policy. The policy provided joint life cover and critical illness cover (CIC) with an initial sum assured of £145,000 over a 20-year term. The premium was £117.27. The policy was set up on a decreasing basis meaning that the amount of cover reduces gradually over the term.

In 2019, Mr G and Mrs M complained to the product provider about their policy. The provider responded in early 2020 to explain the plan was a decreasing term assurance which is designed to cover a capital and interest (repayment) mortgage. It also explained that Quilter was responsible for the advice to take it out and would be passing the complaint on to Quilter to respond.

In May 2020, Quilter responded to Mr G and Mrs M by treating it as a complaint about PPI. It explained the policy wasn't PPI, and rather a life and CIC policy covering a mortgage. It said the complaint was "out of scope" and would proceed to close its file if it didn't hear from them after 14 days. No referral rights were given to this service. It doesn't appear Mr G and Mrs M did follow up on this letter.

In September 2024 Mr G and Mrs M complained again to the product provider about their policy. This complaint was also passed on to Quilter shortly afterwards. In November 2024, Quilter responded to the complaint. It said that the complaint had been made too late as it had been made outside of the time limits that apply.

Mr G and Mrs M referred their complaint to this service for an independent review. Our investigator found the complaint had been made within time and went on to consider the merits of the complaint. They didn't think it should be upheld. Mr G and Mrs M didn't accept the findings, and requested an ombudsman reaches a decision.

In December 2025, I issued a provisional decision. This is what I said:

*"The policy that was recommended to Mr G and Mrs M in 2008 by Quilter is a decreasing term assurance. This type of policy is often used to protect the balance of a repayment mortgage. The level of cover reduces over the term, alongside a repayment mortgage where the balance also reduces as capital and interest is repaid over the term.*

*But Mr G and Mrs M have provided evidence to show that their mortgage was an interest only mortgage. Their complaint was prompted by discovering that they had a policy which was usually associated to be used to protect a repayment mortgage and was due to end without any value in 2028.*

*There is limited evidence from the advice process in 2008, but I have reviewed what has been provided along with Mr G and Mrs M's recollections. The documentation provided includes the suitability letter from the adviser setting out the reasons for the advice provided and the illustration setting out the basis of policy being recommended.*

*The suitability letter states Mr G and Mrs M's main priority was for the adviser to deal with life assurance and critical illness for mortgage protection. It details information collected about their personal circumstances. This states:*

*"... you have encashed your endowment plan with Allied Dunbar, and have changed your residential mortgage from interest only to a repayment mortgage over a 20 year term. Your outstanding mortgage liability is now £145,000.00. You wished to protect your mortgage in the event of either of your deaths or either of you suffering from a specified critical illness."*

*It details a recommendation for a joint policy providing a benefit of £145,000 for a premium of £117.27 per month. The adviser said the plan will pay a lump sum if either of them should die or is diagnosed with having a specified critical illness within the benefit term which could be used to part or fully pay off the mortgage. It also detailed while the sum assured will be £145,000 initially, this sum will decrease in line with the outstanding mortgage balance during the term. An illustration was also provided setting out the basis of the policy being recommended – which also confirmed the sum assured (including a note to say this would reduce each month), premium, benefits provided and that it would pay on first death/diagnosis.*

*From the available evidence, I'm satisfied that Mr G and Mrs M had a need for a protection policy to support an existing mortgage as they didn't have other cover in place. But what is less clear is what type of mortgage they held at the time of advice.*

*Mr G and Mrs M say they didn't have a repayment mortgage. They also say the Quilter adviser was involved in setting up the original mortgage they took out when they purchased their property, but at this time the adviser was employed by a different firm. They say this means the adviser was aware that they held an interest only mortgage. They provided letters to show they previously dealt with the adviser in the past before the advice they received in 2008. So, I'm satisfied they did have a pre-existing relationship with the advisor. They confirmed that during their many conversations with the adviser they talked about changing their mortgage from interest only to repayment but never got around to do it. But I note there isn't evidence to show they questioned the information in the suitability letter, which would have been reasonable for them to do if they knew it to be incorrect.*

*I've reviewed the available evidence to show the mortgage Mr G and Mrs M held at the time of advice. Quilter hasn't provided any other information to show the basis of the mortgage held in 2008. Mr G and Mrs M have provided some documents to show the previous mortgages they held. This includes a letter showing an offer for an interest only mortgage from November 2001 and a mortgage statement from 2000 showing they held a part interest only and part repayment mortgage.*

*I haven't seen clear evidence to indicate that the mortgage was on a repayment basis at the time of advice in 2008. There is evidence to show Mr G and Mrs M were considering changing their mortgage to a repayment basis as they have provided testimony to this effect. Also, the reference to them surrendering an endowment policy suggests that they no longer had the intended repayment vehicle (or associated life cover) that would be needed to support the repayment of an interest only mortgage at the end of the term. So, this indicates that a change was needed to allow them to repay the mortgage at the end of the term. But as I've said, it isn't clear if this change was made.*

*The evidence indicates the advice provided in 2008 was only in relation to protection for a mortgage. I haven't seen that the repayment of the mortgage formed part of the advice. So, I don't consider Quilter has any responsibility regarding the method for repaying the mortgage at the end of the term - including whether they had a repayment vehicle in place to repay an interest only mortgage.*

*When thinking about protection advice for the mortgage, on the one hand, the documentary evidence from the time of advice indicates that a decreasing policy was being recommended for a repayment mortgage. This would appear to be a suitable recommendation for the needs identified. But on the other hand, if Mr G and Mrs M did indeed still have an interest only mortgage, a decreasing policy wouldn't normally be considered a suitable for them as their mortgage balance would remain level and decreasing benefit could lead to a shortfall if a claim was made. In this instance a level policy would be a suitable recommendation this would be designed to pay a benefit level that aligned with the interest only balance.*

*It isn't clear why there is a discrepancy in the information recorded about Mr G and Mrs M's circumstances. An advisor can only make recommendations based on information provided by a consumer about their circumstances. So, if what is provided is inaccurate then this could lead to a recommendation that doesn't meet the consumer's needs. I acknowledge here there was an existing relationship with the adviser, so it's possible the adviser would recollect information about Mr G and Mrs M's mortgage history. But the adviser would still need to collect updated current information and record this when giving advice.*

*But even if I accept a level policy should have been recommended to cover an interest only mortgage, I don't find this means Mr G and Mrs M have suffered a loss. The evidence provided indicates the mortgage was due for repayment in 2022, so this date has now passed. I note that an alternative lifetime mortgage has now been arranged on completely different terms. As I haven't seen that there was a need to claim during the original mortgage term, there isn't a shortfall in a claim to consider. The cost of an alternative level policy is also likely to have cost more than the decreasing policy they took out. So again, I'm not persuaded a loss has been suffered due to an overpayment in premiums. And both types of policy (decreasing and level) would expire without value at the end of the term if no claim was made. So, the fact no payout is due on the policy that was actually taken, isn't reason to say Quilter did something wrong.*

*I acknowledge the point made by Mr G and Mrs M about there being a mis-match in term between the policy and their mortgage. They say this because the policy recommended had a 20-year term, so was due to end in 2028, but their mortgage term was due to end in 2022. But again, for the reasons regarding no evidence of a claim event during the original mortgage term, I don't find this has resulted in a loss. If Mr G and Mrs M no longer had a need for the policy at the end of the scheduled mortgage term in 2022, they could have stopped paying the premiums and let it lapse. From their comments it seems they continued the cover as it was still of value to them beyond 2022, so decided to continue paying into the policy. I appreciate replacement cover is now unaffordable, but as the mortgage was due to end in 2022, I don't think any advice that was provided in 2008 could have anticipated a need for further cover later, and the cost of obtaining cover later in life would always have affordability considerations."*

Mr G and Mrs M responded and provided further submissions for me to consider. In summary they said:

- Despite an acceptance that the mortgage was interest-only, no remedy has been recommended. A decreasing term assurance is inherently unsuitable for an interest-only mortgage, creating a foreseeable risk of underinsurance. The sale of a policy that is structurally inappropriate for the underlying liability constitutes unsuitable

advice.

- The burden of proof has incorrectly been placed on them. It is the adviser's responsibility to take reasonable steps to verify key facts, particularly the mortgage type and term, before making a recommendation. In circumstances where records are unclear or contradictory, the benefit of doubt should not rest with the adviser who failed to evidence suitability.
- The prior relationship with the adviser heightens, not reduces, responsibility as it increases the expectation that she either knew, or should have verified, that the mortgage remained interest-only.
- It is an unreasonable expectation that they should challenge the contents of the suitability letter. They were entitled to rely on the adviser's expertise and to assume the documentation accurately reflected their circumstances. They shouldn't be expected to identify failings in the advice.
- Financial detriment exists even without a claim as they were paying premiums for a policy that was unsuitable. Had suitable advice been given, they would have taken a level term policy aligned to their interest-only mortgage, or been properly advised on alternative arrangements. The term mismatch further evidences unsuitable advice.
- They have paid into this policy for 17 years, and it will expire without value, having never correctly protected the mortgage it was sold for. Due to age and affordability, replacing the cover later was not a realistic option. This has caused both financial and emotional distress.

### **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've re-considered all of the evidence provided – including the further submissions Mr G and Mrs M have made in response to my provisional decision. Having done so, I haven't found reason to change the findings I set out. I'll explain why.

Firstly, I acknowledge the points made about the basis of the mortgage being on an interest only basis and a decreasing term assurance being unsuitable protection for this type of mortgage. I've already explained that I accept a decreasing term assurance is unlikely to be suitable protection for an interest only mortgage. So, I can appreciate why they feel the advice was unsuitable. I also acknowledge the points about it being the responsibility of the adviser to gather sufficient information about a customer's circumstances as part of the advice process to allow for any recommendation to meet their needs and circumstances.

In reaching a decision, I consider the relevant facts of the complaint. Clearly, there are discrepancies between the recorded information by the adviser and what Mr G and Mrs M tell us about their circumstances. In this situation, where the facts are in dispute, I must decide on the balance of probability what happened.

There is specific information recorded in the suitability letter, that supports a discussion was held about Mr G and Mrs M's circumstances. For example, it does appear that previously they had been relying on an endowment policy to repay their interest only mortgage (and also to provide life cover) but the suitability letter indicates this had been surrendered. It is also apparent a repayment mortgage was something that was being considered by Mr G and Mrs M at the time. If they had surrendered their endowment policy, this does suggest they needed to consider an alternative way of repaying their mortgage. A switch to a repayment mortgage is a possible alternative that would ensure the mortgage was repaid, but if it remained as an interest only mortgage with no repayment vehicle, it would leave them with an outstanding debt to pay at the end of the mortgage term. So, if Mr G and Mrs M intended

to change the basis of their mortgage, but didn't manage to, I don't think this is an error by Quilter.

I think it is worth reiterating, I haven't seen any evidence to suggest that Mr G and Mrs M were seeking advice in respect of the repayment of their mortgage in 2008. The available evidence all indicates that protection was the purpose of the advice. Had they been receiving mortgage advice from Quilter, I would expect this to be recorded with a recommendation, but no such evidence has been presented. So, I'm satisfied that the advice being given was limited to protection needs and not wider than this (e.g. advice on mortgage repayment options).

So even if I accept a level term assurance policy should have been recommended to protect an interest only mortgage, I remain of the view this doesn't mean a loss has been suffered. I note Mr G and Mrs M's point about premiums being paid for an unsuitable policy indicates financial detriment. But had they been advised to take a level term policy, they would have needed to meet the cost of the premiums. In my experience the cost of this alternative policy would have likely been more expensive than the decreasing policy, so this doesn't suggest a loss has been suffered due to the recommendation made.

I acknowledge they have paid into a policy for many years that will lapse without value if it is cancelled early or held for the full term without a claim being paid. But term assurance policies don't pay out on maturity, they only pay the benefit in the event of a valid claim during the term. In this case this would be on death or on diagnosis of a specified critical illness. Whether they held a level policy or decreasing policy, the situation would be the same at expiry of the term (i.e. there would be no value if a claim was not made within the term). I also understand Mr G and Mrs M have suffered distress as due to their ages and affordability, replacing the cover later was not a realistic option. It does appear their circumstances have changed since the original advice. In my view this could not be anticipated by Quilter during the original advice. While I do empathise with them, I haven't found that Quilter is responsible for the situation they are now in respect of their mortgage repayment.

As I've previously explained, I do have concerns about what was recorded during the advice process about Mr G and Mrs M's circumstances. But I haven't said the burden was on them to correct unsuitable advice. For the reasons above, and those in my provisional decision, I haven't found reason to recommend that Quilter needs to do anything to put things right.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs M to accept or reject my decision before 6 February 2026.

Daniel Little  
**Ombudsman**