

## **complaint**

Mr and Mrs D's complaint concerns the review of multiple term assurance policies which they held with HSBC Bank Plc. They say when approaching HSBC in March 2007 upon the remortgage of their property, they were misadvised regarding the cover they required.

## **background**

Mr and Mrs D sought advice from HSBC regarding protection policies when taking out their first joint mortgage in 2004. They returned to HSBC in 2005 and February 2007 regarding protection for reconsolidation of their existing debts. In summary, when Mr and Mrs D approached HSBC again in 2007 regarding a remortgage, they held four policies:

- A joint decreasing term assurance policy with critical illness cover with a remaining term of 19 years, which had been sold with a sum assured and term matching that of their mortgage from 2004;
- A joint decreasing term assurance policy with critical illness cover with a term and sum assured matching that of their additional lending for debt consolidation in 2005;
- Two single decreasing term assurance policies sold in February 2007 to accompany further additional debt consolidation lending.

The advisor recommended they take out two further DTA policies to cover the new (increased) mortgage lending. Both Mr and Mrs D took out policies which matched the mortgage term and amount. However, because Mr D would have a rated premium due to his smoker status, critical illness cover was chosen for Mrs D only; this is why separate policies were taken.

In 2012, Mr and Mrs D approached HSBC again for advice regarding further debt consolidation. It was at this time they realised they were paying for six policies, and these could all have been wrapped together or partially cancelled. As such, they pursued a complaint with HSBC.

It issued a final response rejecting the complaint, specifically noting Mr and Mrs D discussed keeping the policies for family protection. Further, the advisor had recorded no advice was given about consolidation because Mr and Mrs D wished to go away and consider their options regarding all of the policies. As such, it could not be considered responsible if Mr and Mrs D now say they did not want all of them.

Mr and Mrs D did not agree with HSBC, and brought their complaint to this service. In summary they further noted:

- They went to HSBC for mortgage protection advice, not additional family cover;
- The documentation from the time of the sale notes the advisor recommended retaining the policies, rather than Mr and Mrs D suggesting they wished to do so.

An adjudicator from this service investigated the complaint and recommended it should be partially upheld. Based on Mr and Mrs D's circumstances, particularly their existing debt and young dependent child, the adjudicator felt there was a need for some additional cover. He acknowledged the difficulty in assessing when extra cover becomes excessive, but did feel Mr and Mrs D were effectively over-insured.

On this basis, the adjudicator partially upheld the complaint, recommending a full refund of the premiums for the first policy taken out in 2004.

HSBC did not agree; it felt the combined policies did not leave Mr and Mrs D over-insured on the basis that the industry standard for critical illness cover was five times an individual's salary. Further, it reiterated that no financial advice was ever provided. It said the fact Mr and Mrs D required no further advice was supported by the comment recorded on the documentation, which said:

*"We spoke of using these as family cover and you are to consider this further but require no further advice in this respect."*

Since the matter remains unresolved, it has been passed to me to consider afresh.

### **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Before I address the complaint, I note I have requested HSBC to provide further information regarding the sale of all of the policies (not just the information from 2007) for my review. It has provided brief information from the earlier sales, but due to the passage of time the point of sale documents are no longer available. In the absence of this evidence, I have considered the recollections the parties have provided. Specifically, I have considered why the cover was taken out (i.e., for debt consolidation or mortgage protection).

There is no dispute from either party that at the time the policies were taken out, Mr and Mrs D had an identified need for the cover. The matter for me to decide is what HSBC ought to have done in 2007. I am in agreement with the approach of our adjudicator for broadly similar reasons. I shall explain why.

I have reviewed the comments made by HSBC regarding the review of the policies Mr and Mrs D already held when they met with HSBC's advisor in 2007. The final response letter from HSBC following Mr and Mrs D's complaint noted the decision to keep the existing policies was left to Mr and Mrs D. However, the mortgage protection advice document said:

*"We discussed your existing critical illness policies and I have recommended these policies be kept as the product terms will probably be preferential to those offered with similar policies today. We spoke of using these as family cover and you are to consider this further but require no further advice in this respect."*

I am satisfied, as Mr and Mrs D have stated, the HSBC advisor did provide advice to them in 2007 regarding their existing policies. I do not accept HSBC's assertion that it gave no advice at all. It seems to me what HSBC are alluding to is that the advisor confirmed Mr and Mrs D required no *further* advice.

Given my conclusions above, I have considered whether the advice Mr and Mrs D were given to retain the policies was suitable given their circumstances at the time of the sale.

I am not persuaded, as HSBC have suggested, Mr and Mrs D required protection for 'additional' family cover. They rejected the advisor's recommendation to take out unemployment/sickness cover. And, upon the knowledge it would incur a higher premium,

they took out two separate policies on both occasions in 2007- so only Mrs D held critical illness cover, since Mr D's premium would have meant a higher rated premium.

I do accept the previous cover may have provided preferential terms. However, the cover taken in 2004 was for a substantial mortgage lending, whereas the policies intended to cover subsequent debt consolidation were for far lower borrowings. It does not follow that Mr and Mrs D would require additional cover over and above their remortgage for such a substantial sum assured and monthly premium, when they held a requirement to ensure affordability.

I am in agreement with our adjudicator where he felt the remaining policies (2005 and February 2007) did appear to have been suitable to leave in place. I say this because there was no clear evidence at the time of the sale that the remortgage was intended to include their additional debt consolidation liabilities. Further, in 2012, Mr and Mrs D had approached HSBC again in respect of debt consolidation cover. It therefore seems to me that a degree of extra cover on this basis would not have been unreasonable to recommend.

### **my final decision**

My final decision is I uphold the complaint in part. I require HSBC Bank Plc to refund all the premiums paid by Mr and Mrs D for the joint decreasing term assurance policy they took out in 2004, and pay interest on each premium at 8% per year simple from the date each premium was paid until the date of settlement.

If HSBC Bank Plc considers it is legally obliged to deduct income tax from the interest, it must make the appropriate payment to HM Revenue and Customs and send tax deduction certificates to Mr and Mrs D along with the compensation payment. If eligible, Mr and Mrs D may thereafter be able to reclaim any overpaid tax from HM Revenue and Customs.

I make no further award.

Jo Storey  
**ombudsman**