

## **complaint**

Mrs C has complained about a decreasing term assurance and critical illness policy sold to her by Barclays Bank UK PLC. She has said the policy was “strongly recommended” but she didn’t need it because she had plenty of cover through her employer.

## **background**

In 2006 Mrs C, with her husband, were taking out a new mortgage. At the same time they were each sold a decreasing life protection and critical illness policy. This decision only focuses on the policy sold to Mrs C.

At the time of the sale Mrs C was married and had two dependent children. She was also working full time. Along with her husband it is noted in the fact find completed at the time of the sale that she held two other life protection policies, one being a term assurance policy due to end in 2018 and an endowment due to mature in 2015.

The mortgage they were taking out was for £430,000 payable over a term of twenty four years but Mrs C was sold a decreasing term assurance and critical illness policy for £250,000, over the same term.

The complaint was assessed by one of our investigators who felt it should be upheld. She was satisfied Mrs C had a need for the policy given the new mortgage she was taking as well as her personal circumstances, being married with two dependent children. But as the mortgage was for £430,000 but the policy was only for £250,000 she felt the level of cover she was sold was wrong and having such a shortfall would’ve had serious ramifications for Mrs C had she needed to claim on the policy during its term.

The investigator acknowledged that Mrs C had other protection in place as well as a significant amount of savings but she didn’t feel this made a difference to her outcome. She felt the maturity value of the endowment couldn’t be guaranteed and also the payment due on that policy as well as the other one wouldn’t have covered the shortfall. She also felt that whatever savings Mrs C held couldn’t be taken into account, as part of the savings were earmarked for a new kitchen and the rest the investigator felt should have been kept for emergency situations.

Overall, therefore, the investigator felt that the policy was useful to Mrs C but the way it had been setup was unsuitable. However, because a suitable policy, one that provided cover for the entirety of the new borrowing, would have cost Mrs C more than she had already paid, there was little this Service could do to put Mrs C back into the position she should have been had the error not occurred because this would have put her into a financially worse position. So because of this the investigator felt that a payment of £100 should be made to Mrs C in acknowledgment of being sold the unsuitable policy.

Barclays didn’t agree with the assessment. It felt that Mrs C was earning a significant salary and so would have replenished her savings over time. It also felt that while the maturity value of the endowment couldn’t be guaranteed the amount payable on death was. It also felt the amount of £150 which it had already paid to Mrs C for the delays in its complaint handling was enough and so it didn’t accept that a further payment should be made to Mrs C.

While the investigator considered the points Barclays had raised, she wasn't persuaded to alter her outcome. So as no agreement could be reached, the complaint has been passed to me to review.

### **my findings**

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 think the complaint should be upheld.

Firstly I have considered what Mrs C has said about the policy being strongly recommended. I have looked through all of the paperwork provided and I can't see anything that supports what Mrs C says about this point. I certainly don't disbelieve Mrs C but in order for me to uphold this point I would need to be sure this was the case and as I wasn't at the sales meeting I need to look for evidence in the paperwork to support this.

I have next considered whether the policy was suitably sold to Mrs C and if so, whether it was set up in the correct and suitable way.

As already stated, Mrs C was taking on a large amount of borrowing and was married and had two dependent children. This means there were people relying upon her financially and who would have been affected financially by her death or her being diagnosed with a critical illness. By having this policy in place a lump sum payment would've been made in the event of Mrs C's death or diagnosis of a critical illness which could've been used by her or her remaining family to discharge any remaining liability on the property. This would secure the property and ensure that no one needed to worry about repaying the mortgage in what would undoubtedly be a difficult time. It is for these reasons I think the policy was a suitable one for Mrs C given her personal and financial circumstances.

I know Mrs C has said that she had good protection benefits through her employer but I wouldn't see those benefits as being able to be used instead of a term assurance policy. Employer benefits aren't guaranteed and once someone leaves that employment in most cases the benefits cease. So employer benefits are not often regarded as a suitable alternative to a term assurance when mortgage protection is required.

However, while I think Mrs C had a need for the policy and would have found it useful, had the worst happened requiring her to claim under the policy I don't think the policy would have done what it was in place to do because of the way it was set up.

The mortgage the policy was taken to protect was for £430,000 but the policy provided protection at a level of £250,000 so clearly there was a shortfall. Also the policy was a decreasing term assurance policy which is suitable for a capital repayment mortgage which Mrs C had. But with this type of policy the lump sum paid out in the event of a claim decreases largely in line with the amount left outstanding on the mortgage. So in this case, as the protection provided by the policy was almost half of that borrowed, the lump sum paid in the event of the claim would always have been far less than would have been needed to discharge any liabilities on the property. This could have left Mrs C or her remaining family quite vulnerable in a time which already would have been quite difficult.

I appreciate what Barclays has said about Mrs C having savings in place. However, savings can't be relied upon to remain at a static level over the course of a mortgage term. Also we know from the documentation from the point of sale that some of the savings were

earmarked for home improvements so this again affects the reliability of them. As well as this I know Barclays has said that given Mrs C was earning a significant salary the savings could be easily replenished but there is no guarantee that Mrs C would have kept earning such an amount. She could have found a different employer or her circumstances could have changed causing her to take a drop in salary. So I think Barclays' point is made with the benefit of hindsight and shouldn't have been something the adviser considered in this case at the time of the sale.

In addition to this, I know Barclays has said the other two life protection policies could also have been used to make up the shortfall between the amount borrowed and the level of protection under the policy. However, I disagree. The policies were due to end in 2015 and 2018 whereas the mortgage and policy were due to end in 2030. So by taking this policy with a significantly lower level of protection than actually required, had something happened to Mrs C after 2018 the lump sum paid out under the policy wouldn't have been enough to meet the outstanding liability.

Overall therefore, in light of what I have set out above, while I can't uphold this complaint on Mrs C's points because I do think she had a use for this policy, I don't think she was sold the most suitable type of policy and the one she was sold left her with a significant short fall in protection.

I therefore think that at the time of the sale Mrs C should have been sold a decreasing life and critical illness protection policy for the amount of the mortgage and the term of the mortgage. This would have ensured Mrs C and her family had a full level of protection. However, because a policy with a higher level of protection would have cost Mrs C more than she has already paid, actually changing the unsuitable policy would leave her owing Barclays money. As a service we can't financially disadvantage a consumer regardless of whether something was mis-sold. But in recognition of an unsuitable policy being sold I do agree with the investigator that a nominal payment of £100 be made to Mrs C by Barclays.

### **my final decision**

My final decision is that I uphold this complaint.

In order to put things right Barclays Bank UK PLC should pay Mrs C £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 31 January 2019.

Ayshea Khan  
**ombudsman**