

complaint

Mr and Mrs S complain that Nationwide Building Society (“Nationwide”) mis-sold them a mortgage payment protection insurance (MPPI) policy.

background

Mr and Mrs S took out a mortgage and MPPI policy with Nationwide in 2003. They say they were told they had to have the policy if they wanted the mortgage. They explained they were entitled to a generous amount of sick pay through their employers, so didn't really need the policy, but were told they still had to have it if they wanted the mortgage.

Nationwide upheld the complaint in part. It didn't think Mr and Mrs S had been told they had to have the policy. But Nationwide thought Mr S didn't need the policy because he was entitled to a generous amount of sick pay through his employer. It offered to refund Mr S's half of the premiums paid, but not Mrs S's. It thought the policy was suitable for Mrs S and she would've most likely taken out a policy in her own name.

Ultimately, one of our adjudicators wasn't persuaded Mr and Mrs S would've taken out a policy in Mrs S's name only if they'd understood that the policy was not appropriate for Mr S. She didn't think it followed that Mr and Mrs S would've wanted to cover for Mrs S only and for half the monthly mortgage repayment. Nationwide disagreed.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about the sale of PPI on our website and I've taken this into account in deciding Mr and Mrs S's complaint.

I think Mr and Mrs S's complaint should be upheld and I'll explain why.

Nationwide accepts that this MPPI policy was mis-sold to Mr and Mrs S. This is because Mr S had unusual sick pay arrangements that would've meant he'd potentially receive his full salary for a relatively long time and so he might not have needed MPPI.

Having accepted that the joint policy was mis-sold, it has suggested that it would be reasonable to partially compensate Mr and Mrs S. It thinks Mrs S would've still taken out a separate policy for half the monthly mortgage amount.

I've thought about this and overall, I'm not persuaded it's likely Mrs S would've taken out MPPI on her own.

Nationwide says it didn't advise Mr and Mrs S to take out the policy. Based on what I know about Nationwide's usual sales process, I think it's unlikely it recommended Mr and Mrs S should take MPPI. This means Nationwide didn't need to check whether or not it was suitable for them. But it did need to provide them with enough clear, fair and not misleading information about the policy so they could make an informed decision about whether to buy it.

Having considered everything, I don't think Nationwide did provide Mr and Mrs S with enough information and in particular, about the cost and benefits of the policy. It says Mr and Mrs S would've been given a leaflet about MPPI, in addition to the verbal information it says its representative would've provided. I've looked at a copy of this leaflet. I can see a basic breakdown is given as to how the monthly cost of the policy would be calculated. And it explains how the monthly benefit would be worked out. I also accept it explains in basic terms what the policy covers. There's a choice about how long a policyholder wants benefit paid for. But I don't know if the representative actually provided Mr and Mrs S with a copy of this leaflet. And even if they did, I don't think it goes far enough to properly explain what the MPPI actually does and how it works.

I think this information would've been important to Mrs S. Leaving aside any benefits Mr S was entitled to; Mrs S says she'd have been entitled to between 6 and 12 months of sick pay of her own. I've also seen evidence showing me they had a reasonable level of joint savings at the time of sale. I accept they used most of these savings shortly after the sale, but they retained some. Taken together, I think this would've meant Mrs S could have met her part of the mortgage payments for a decent period of time without needing MPPI. I also think Mr S was unlikely to be made redundant from his job, due to the specialist nature of his work. So even if Mrs S had lost her job, I think they'd have thought they'd be able to fall back on Mr S's salary and their other means. In these particular circumstances, I don't think it's most likely Mr and Mrs S would've thought it was necessary to protect her part of the mortgage alone if they'd had enough information about the policy.

This means I think if Nationwide had told Mr and Mrs S everything it should've done, they wouldn't have gone ahead with taking MPPI. I acknowledge it was free for the first year, so it was open to Mr and Mrs S to cancel it after the expiry of this period. But I don't feel this, in itself, is enough to put right any failures in the sales process or policy documentation.

Putting things right

Nationwide should put Mr and Mrs S in the position they'd be in now if they hadn't taken out PPI. The policy has already been cancelled, so Nationwide should:

- Pay Mr and Mrs S the amount they paid each month for the PPI.
- Add simple interest to each payment from when they paid it until they get it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on. †
- If Mr and Mrs S made a successful claim under the PPI policy, Nationwide can take off what they got for the claim from the amount it owes them.

† HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Mr and Mrs S a certificate showing how much tax it's taken off if they ask for one.

my final decision

For the reasons given above, I uphold Mr and Mrs S's complaint and I require Nationwide Building Society to pay compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 30 January 2017.

Greg Barham
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