

complaint

Mr and Mrs S complain that HSBC Bank plc mis-sold them a decreasing term assurance policy. They were told it was a condition of their mortgage borrowing but they already had enough cover through their company benefits.

background

In mid 2001, Mr and Mrs S met with an advisor from HSBC to talk about taking out a new interest-only mortgage. They were looking to move home. The advisor recommended that they should start a level term assurance policy to match the details of the new mortgage.

However Mr and Mrs S' purchase of this new property didn't go ahead. Instead, they applied for an equity release loan on their existing home so they could carry out some improvements. Their application for the life insurance was changed to a decreasing term assurance policy (mortgage protection plan) that matched the remaining balance on their original repayment mortgage. The equity release loan was on an interest-only basis.

In 2014, Mr and Mrs S complained about the advice they'd been given. They had no need for the cover this policy gave them as they had adequate cover through the income and company benefits they received at the time. But they were led to believe that refusing the term assurance policy would affect their loan application.

HSBC said that the term assurance policy wasn't a condition of Mr and Mrs S' borrowing. The policy was optional and they could've cancelled it at any time. But it didn't recommend using employee benefits as a way of protecting a mortgage as this benefit may be lost with any changes in employment. HSBC didn't think that Mr and Mrs S were mis-advised to take out this policy.

HSBC apologised that there had been a delay in addressing Mr and Mrs S' complaint, and it paid them £150 to recognise the inconvenience caused by this.

Our adjudicator didn't think that Mr and Mrs S' complaint should be upheld. She didn't see anything on the loan offer to show that having life cover was a condition of it. She said that Mr and Mrs S had a need for the cover the policy gave them as employment benefits are not guaranteed. The protection policy would have helped towards the financial commitments of the surviving family members if Mr or Mrs S had passed away.

Mr and Mrs S didn't accept the adjudicator's findings. HSBC made them feel that their loan application wouldn't be granted unless they took out life cover which they didn't need.

my findings

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

When making their complaint to HSBC, Mr and Mrs S also raised concerns about another level term assurance policy sold to them in 2004. HSBC upheld their complaint and I understand that Mr and Mrs S accepted a full refund of the premiums they paid. My decision here relates solely to the decreasing term assurance policy they were sold for mortgage protection in 2001.

I've looked carefully through all of the information that was recorded from the time Mr and Mrs S spoke with HSBC in 2001, alongside their particular circumstances and what Mr S has told us about their employment benefits.

When Mr and Mrs S initially met with HSBC at that time, they were looking to move to a new home. The advice they received related to a new interest-only mortgage and the recommendation to start a level term assurance policy to match the details of this.

But when that property purchase didn't go ahead, Mr and Mrs S applied for an equity release loan on their home, also on an interest-only basis. This was to be in addition to the repayment mortgage they already had.

They signed a declaration to change the application they'd made for the level term assurance policy to a decreasing term assurance policy (the mortgage protection plan). The sum assured of this policy and its term matched the details of their existing repayment mortgage.

I do appreciate that Mr and Mrs S thought that they wouldn't be offered the equity release loan without taking out this life assurance policy. But I haven't seen anything in the available documentation to show that this was a particular condition of that borrowing.

The changes they made to their application for life cover meant that it was designed to protect the mortgage they already had in place. With the decreasing cover the sum assured would gradually go down in line with the capital owed on their repayment mortgage. The equity release loan was on top of that mortgage and was interest-only, so they weren't paying back any of the capital with their loan repayments and it would be owed in full at the end of the loan term.

So it doesn't seem that Mr and Mrs S' policy was to protect the new borrowing they were taking in the equity release loan. And their existing mortgage had already been granted without this cover.

I do understand the cover that Mr and Mrs S had through employment benefits, but I don't think this necessarily means that it wasn't prudent for them to have separate cover for part of their mortgage commitment. The employment benefits may have changed over time, or with a change in circumstance, and this cover meant that any employment benefits wouldn't need to be relied upon to repay the main mortgage debt.

Overall, I don't think that HSBC mis-sold this decreasing term assurance policy to Mr and Mrs S.

my final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 25 January 2016.

Cathy Bovan
ombudsman