

complaint

Mrs K complains that Bank of Scotland plc trading as Halifax ("Halifax") mis-sold her a mortgage payment protection insurance ("MPPI") policy. If she was too ill to work or was made unemployed, the policy would have paid out enough to cover her mortgage repayments and provide her with some additional money. The policy also provided life cover.

background

I issued a provisional decision in this case on 13 November 2015. That provisional decision is attached and forms part of my final decision.

Both parties have confirmed they have received my provisional decision, but neither Mrs K nor Halifax had anything further to add.

my findings

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

As neither party has submitted any new information, I see no reason to alter the findings in my provisional decision.

my final decision

For the reasons set out in my attached provisional decision, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 22 January 2016.

Katrina Hyde
ombudsman

complaint

Mrs K complains that Bank of Scotland plc trading as Halifax (“Halifax”) mis-sold her a mortgage payment protection insurance (“MPPI”) policy. If she was too ill to work or was made unemployed, the policy would have paid out enough to cover Mrs K’s mortgage repayments and provide her with some additional money. The policy also provided life cover.

background

Mrs K applied for a re-mortgage in 2002 and was sold MPPI at the same time.

Our adjudicator considered this complaint and thought that Mrs K’s complaint should be upheld.

Halifax didn’t agree with that view, so the complaint has been passed to me to consider.

my provisional 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 this case.

I don’t intend to uphold this complaint and I’ll explain the reasons for this.

First of all I’ve looked at whether Mrs K was eligible for the policy. And based on the information that’s been provided to me, it looks like she qualified for the cover.

Next I’ve looked at whether it was made clear to Mrs K that the policy wasn’t compulsory. A long time has passed since the sale, and understandably Halifax hasn’t been able to give us much paperwork from the meeting. So I’ve looked at the information that is available and the testimony of both parties to help me decide what’s most likely to have happened.

Mrs K told us that she was informed by the adviser that she needed the policy in order to secure the application for the mortgage. I’ve no doubt Mrs K has given me her honest and best recollection of what happened, but I must also bear in mind that the sale took place in November 2002. A quite significant amount of time has passed since then. Memories can fade over time and I must take account of this risk in deciding what’s most likely to have happened.

I’ve considered the possibility that the adviser told Mrs K that she could only have the mortgage if she agreed to have the MPPI. But based on what we know about the documentation and sales process which we have from similar sales by Halifax around the time of this sale, it seems more likely that it would have been made clear to Mrs K that the policy was optional. Overall I don’t think that I can fairly conclude that the adviser misled Mrs K, based solely on her recollection, without stronger evidence. So on balance, it seems more likely that the adviser made it clear to Mrs K that she had a choice about whether or not to take out the policy and that the policy wasn’t compulsory.

Next, I’ve considered whether the policy was suitable. Halifax recommended the MPPI to Mrs K. This meant it had to make sure the policy was suitable, as well as giving her the information she needed to decide whether to take it out.

I’ve checked the policy for significant exclusions and restrictions, for example exclusions about pre-existing medical conditions or unusual employment terms. Nothing in the information provided leads me to think that Mrs K would have been affected by any of the exclusions or restrictions. It also appears to have been affordable for her.

Mrs K told us that at the time of the sale, she wasn’t entitled to sick pay. And she had savings worth approximately 3 to 6 months of her pay. The policy would have covered her mortgage repayment for up to 24 months if she was made unemployed or was too ill to work. So I don’t think the

recommendation for accident, sickness and unemployment cover was unsuitable for her. It would have allowed her to pay her mortgage for a longer time than if she'd used her savings. And, at what would have been a difficult time, it would have given her valuable financial security.

Mrs K had other insurance policies when she was sold the MPPI. They provided the following cover:

- a) Critical illness cover, which she'd taken out in 2001. The sum assured was approximately £25,980.
- b) Mortgage protection cover paying a death benefit which she had since January 1998. The sum assured was the capital outstanding under a mortgage of approximately £18,111. This was set up on a decreasing basis, so that the sum assured decreased as the debt was paid off.
- c) Death and critical illness cover, which she'd taken out in 1997. The death benefit, as of March 2015, was worth approximately £65,397.

Mrs K told us that the adviser didn't investigate her existing insurance and that the MPPI duplicated it. I've looked at each policy in turn.

The critical illness policy at a) was the only cover of this type Mrs K had. The Halifax adviser could have sold her more of this cover under the MPPI policy, but didn't. So there was no duplication there.

Under b) Mrs K had some cover for her mortgage in the form of a policy for death benefit. In terms of the life cover sold to her by Halifax as part of the MPPI, our adjudicator thought that Mrs K's complaint should be upheld because the cover was for only £22,000. And as her mortgage was for £40,000, he thought the recommendation was unsuitable.

But I think it's most likely that the Halifax adviser took into account that Mrs K had already taken out the cover under b) and that it was in the region of £18,111. And I think it's most likely that the MPPI of £22,000 was recommended so that, in total, she'd have cover for most of her £40,000 mortgage. So I think there was no duplication.

And in terms of the death benefit under c) I don't think it was unreasonable for the adviser to recommend the life cover element of the MPPI in addition to this. I think that Mrs K planned for unforeseen events by having herself insured. She appeared to be responsible in her financial affairs, particularly in wanting to make sure that her children were secure if anything happened to her. So I can see how she would have wanted to arrange cover for most of her mortgage, in order to leave her children taken care of with c); the existing life policy. And in this complaint, I don't think that the adviser gave her unsuitable advice by recommending that she do so.

Finally, I've considered whether Halifax gave Mrs K information that was clear, fair and not misleading. It's possible that Halifax didn't give her clear enough information about the cost, benefit or main exclusions and restrictions of the policy. But I'm satisfied that the policy could have provided a useful benefit to her at a cost which was comparable to other, similar policies available at the time. And I don't think she'd have been affected by any of the main exclusions or restrictions. On balance, I think it's most likely that Mrs K decided that the MPPI was a good idea, and I don't think having better information would have changed that. I understand that Mrs K will be disappointed with this, but she is isn't worse off as a result of Halifax doing anything wrong, so there's nothing it needs to do to put things right.

my provisional decision

Unless I receive information which changes my mind, I don't intend to uphold this complaint.

I now invite Mrs K and Halifax to give me any further information that they want me to consider before I make my final decision. This must be provided to us within one month of the date of this provisional decision.

Katrina Hyde
ombudsman