

complaint

This complaint concerns the sale of a regular premium mortgage payment protection insurance (MPPI) policy taken out in conjunction with a mortgage in 2002. Mr and Mrs H say the MPPI policy was mis-sold by Cheltenham & Gloucester Plc ('C&G'). The policy had a benefit split of 60:40 between Mr and Mrs H – this broadly reflects their salaries at the time.

background

The adjudicator's view was that there was insufficient evidence to show that the policy had been mis-sold. Mr and Mrs H were advised of this and have requested that the matter is referred to an ombudsman for final decision.

my findings

I have included only a brief summary of the complaint above, but I have considered all the evidence and arguments from the outset in order to decide what is fair and reasonable in the circumstances of this complaint. In doing so, I have taken into account the law and good industry practice at the time the MPPI policy was sold.

It seems to me that the relevant considerations in this case are materially the same as those set out in the section of our website explaining how we deal with PPI complaints.

The key questions are whether:

- C&G gave Mr and Mrs H information that was clear, fair and not misleading, in order to put them in a position where they could make an informed choice about the policy they were buying; and whether
- in giving any advice or recommendation, C&G took adequate steps to ensure that the product it recommended was suitable for Mr and Mrs H's needs.

If I conclude that C&G did not do this, I still need to be satisfied that Mr and Mrs H would have acted differently as a result of any failings and would not have taken out the policy.

After careful consideration of all the evidence and arguments, I have decided not to uphold Mr and Mrs H's complaint. I have noted their comments and I know my decision will come as a disappointment to them. I have set out my reasons below and once they have had the opportunity to consider these, I hope they will understand why I have reached this conclusion.

Both parties appear to agree that the MPPI policy was taken out following a meeting at a branch of Lloyds TSB. C&G has said this was an advised sale, so this means that it had to take adequate steps to ensure that the product it recommended was suitable for Mr and Mrs H's needs.

optional nature of MPPI policy

Before dealing with suitability, I have first considered whether Mr and Mrs H were made aware that the MPPI policy was optional. As I was not present at the meeting, I cannot be certain of what transpired. Having reviewed a copy of the mortgage application form signed by Mr and Mrs H, I note that there is a separate section of the form that deals with MPPI.

This provides both “Yes” and “No” options in relation to MPPI. The “Yes” option has been ticked and Mr and Mrs H have signed the form on the following page. This indicates that Mr and Mrs H were most likely made aware of the optional nature of the MPPI policy and chose to take it.

I have given careful consideration to Mr and Mrs H’s submissions as regards them feeling pressured into taking out the MPPI policy. While I do not doubt that these submissions represent their honest recollection of events, I do not have sufficiently compelling evidence to uphold their complaint on this basis.

suitability of MPPI policy

As regards suitability, having reviewed Mr and Mrs H’s circumstances at the time of sale, I am satisfied that any recommendation to take out the policy was not *unsuitable*.

I say this because:

- There was a potential *need* for cover as Mr and Mrs H were taking on substantial borrowing secured on their home.
- I am satisfied that Mr and Mrs H would most likely have been eligible for the policy and being in full-time employment and in good health, were unlikely to be affected by any of the more significant potential exclusions or limitations on benefit which might have made the MPPI policy less attractive. I have noted that Mr and Mrs H would not have been able to make any sickness claim in relation to pre-existing medical conditions (such as Mr H’s asthma). However, I do not think this would have been a significant factor in this case as Mr H’s asthma was under control by use of medication and both Mr and Mrs H could still benefit from all other aspects of the policy.
- In the event of sickness, Mr and Mrs H say they would have been entitled to some benefits from their employers. They have not specified the extent of their entitlement and they do not appear to have had any savings or other means they could have used to help them meet their mortgage repayments. I am therefore of the view that Mr and Mrs H could have found it difficult to meet the mortgage repayments had either of them been unable to work. The MPPI policy would have provided a monthly benefit for up to 12 months. The benefit would have been payable in addition to Mr and Mrs H’s employment benefits and most likely for longer. So overall, it is my view that the policy would have been of material assistance to Mr and Mrs H at a time when they might need or benefit from additional security.
- The monthly premium for the MPPI policy was relatively modest and offered a reasonable level of benefit for the premium payable. The policy appears to have been affordable to Mr and Mrs H and it is my view that they might well have been attracted to the security the policy provided, given the potential consequences of default on the mortgage.
- The MPPI policy was cancellable – had Mr and Mrs H felt the policy was something they did not want or feel the need for, I would have expected them to have cancelled it.

Based on the above conclusions, in my view, any advice or recommendation that Mr and Mrs H take out the policy was most likely not *unsuitable* in the circumstances.

information

I have gone on to consider whether C&G provided sufficient information to Mr and Mrs H so they could make an informed choice, and if not, whether this is likely to have affected their decision to take out the policy. As I was not present at the meeting, I cannot be certain what information Mr and Mrs H received but for the same reasons as those set out above (as regards suitability of the MPPI policy), I find it unlikely that a better explanation of the costs, benefits or exclusions would have put them off taking out the policy.

summary

In summary, I do not have sufficiently compelling evidence to uphold Mr and Mrs H's complaint. It is my view that any recommendation by C&G that they take out the MPPI policy was *most likely* not unsuitable and that better information was unlikely to have prevented Mr and Mrs H from taking out the policy.

It follows that I do not uphold Mr and Mrs H's complaint.

my final decision

For the reasons set out above, my final decision is that I do not uphold this complaint and I make no award against Cheltenham & Gloucester Plc.

Jagdeep Tiwana
ombudsman