

complaint

Mr and Mrs N complain that The Prudential Assurance Company Limited (Prudential) mis-sold them a regular premium mortgage payment protection insurance (MPPI) policy.

background

Mr and Mrs N applied for a mortgage with Prudential in January 1998. It appears they were sold the MPPI policy at the same time in connection with this mortgage during a meeting. But the policy didn't come into force until October 1999.

The policy covered both Mr and Mrs N for accident, sickness and unemployment for up to 12 months per claim. If Mr N was unable to work, it would've provided a benefit of £360. If Mrs N was unable to work it would've provided a benefit of £90.

Our adjudicator upheld Mr and Mrs N's complaint.

Prudential didn't agree with our adjudicator and the complaint has been passed to me to consider.

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 MPPI on our website and I've taken this into account in deciding Mr and Mrs N's case.

Having done that, I've decided to uphold Mr and Mrs N's complaint.

I can see from the documents provided that Prudential advised Mr and Mrs N to take the policy out. This means they had to take adequate steps to ensure the policy was suitable for Mr and Mrs N. I can't see that Prudential did take all the steps they should've and I don't think the policy was suitable for Mr and Mrs N. I will go on to explain why.

At the time of the meeting in 1998, Mr N was working as a contractor on a temporary basis. The documents provided by Mr N confirm the same. I can see from the fact finding documents completed by Prudential at the time that they would've been aware that Mr N was working for a professional services employment agency.

I've seen a letter from the place Mr N was working for as a contractor confirming to Prudential in June 1998 that Mr N had worked there as a temporary contractor between 1997 and March 1998. I also note that Prudential refer to a letter from Mr N's later employers confirming Mr N's employment from March 1998 to March 1999. It didn't necessarily mean that this contract would be renewed after this time. So they were at least aware at the time of the sale and for over a year after the sale what Mr N's working arrangements were like. As it happens, Mr N was on a week by week contract by the time the policy started.

I've read the policy document provided by Prudential and can see that there were exclusions relating to the circumstances in which contract workers could make a successful unemployment claim. In particular, the policy excluded claims after the end of a fixed term contract *unless* the consumer was employed on a yearly contract (which had been renewed

at least once) or had been “under a contract with the same employer for a continuous period of at least 24 months”.

Mr N didn't meet the above requirements either at the time of the sale or when the policy started. This means he couldn't have made a successful claim under the policy based on his circumstances.

Prudential were aware of Mr N's circumstances at the time of the sale and before the policy began. They should've known that the terms relating to fixed term contracts would be relevant to Mr N and that he should be made aware of how they could affect his ability to make claim. And so Prudential should either not have advised Mr N to take the policy or should at least have explained to him that he wouldn't be able to make a claim for unemployment if he didn't meet the requirements under the policy. I can't see that they did either.

I appreciate that Mr N may still have been able to make a claim for accident and sickness. But I haven't seen anything which suggests to me that Mr N didn't have at least as much a need for unemployment cover as he may have had for accident and sickness. I also note that Mrs N would've been covered for unemployment as well as accident and sickness. But as mentioned before, the policy would've paid a much smaller amount if Mrs N was unable to work. This is because Mr N appears to have been the main wage earner and so would've required more protection.

So based on everything I've seen, I think Prudential should've advised Mr N that he wouldn't have been able to claim for unemployment because of his working arrangements at the time or at least highlighted how the exclusions may have affected him in the future. If they had, I think it's more likely that Mr and Mrs N wouldn't have taken the cover out as it wouldn't have been of good value for money in their circumstances.

It follows that I uphold Mr and Mrs N's complaint.

fair compensation

Prudential should put Mr and Mrs N in the position they'd be in now if they hadn't taken out MPPI. The policy should be cancelled, if it hasn't been cancelled already, and Prudential should:

- Pay Mr and Mrs N the amount they paid each month for the MPPI
- Add simple interest to each payment from when they paid it until they get it back. The rate of interest is 8% a year[†].
- If Mr and Mrs N made a successful claim under the MPPI policy, Prudential can take off what they got for the claim from the amount it owes them.

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

my final decision

I uphold Mr and Mrs N's complaint against The Prudential Assurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs N to accept or reject my decision before 18 December 2015.

Navneet Sher
ombudsman