complaint

Mr and Mrs M complain about three decreasing term assurance policies recommended by Phoenix Life Limited in 1997, 1998 and 2000. Mr M says the policies were mis-sold. Mr M says he and his wife were told by business that their mortgage was unlikely to be approved without the policy. Mr M also says the policy taken out in 2000 did not match the term of their loan because that loan has now been paid off.

background

Mr and Mrs M took out a decreasing term assurance policy (policy 1) in 1997. This was taken out to protect a mortgage with a term of 20 years. Mr M says this policy was unsuitable. He says they was mis-led by the business and given the impression their mortgage would not be accepted if they did not purchase the policy.

Mr and Mrs M took out a decreasing term policy (policy 2) in 1998. This was taken out to protect further borrowing. Mr M says this policy was mis-sold. He says they were told they needed this cover.

Mr and Mrs M took out a decreasing term policy in 2000 (policy 3). This was taken out to protect further borrowing and replaced the 1998 policy which was cancelled in 2000. Mr M says the policy was unsuitable as they have now paid off the borrowing the policy was protecting, so he says the term did not match the borrowing.

An adjudicator investigated Mr and Mrs M's complaint. She did not uphold the complaint. She was not persuaded that taking out policy 1 was a requirement of obtaining the mortgage and she felt the policy was suitable for Mr and Mrs M's financial needs. The adjudicator was not persuaded that policy 2 had been mis-sold. She noted that no point of sale documents were available. The adjudicator felt that policy 3 was independent from the loan it was protecting. She noted that Mr and Mrs M could have cancelled the policy if they felt it was unsuitable and the application form recorded that the loan repayment term was the same as the length of the policy term.

Mr M did not agree. He said it was the business' responsibility to ensure the policies were suitable and matched the term of the loan. Mr M referred to the adjudicator's conclusion that Mr M had cancelled the 1998 policy in 2000 when he had paid off the borrowing it was protecting. Mr M said that he could not have paid off the £10,000 borrowing in 3 years and so he believed the loan was probably restructured in 2000. He reiterated that the term of policy 3 did not match the term of their borrowing. Mr M asked for his complaint to be investigated by an ombudsman.

my findings

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

Mr and Mrs M took out decreasing term assurance policies in 1997, 1998 and 2000. The business has provided the point of sale documentation for policy 3 and some limited documentation for policy 1. But, unfortunately because policy 2 was cancelled in 2000, about 15 years before the complaint was made, there is no point of sale documentation available in relation to that policy.

Mr M has said that he and Mrs M applied for a mortgage in1997 and the business led them to believe they would not obtain their mortgage if they did not take out a mortgage protection policy. There is limited information available because it is a number of years since the policy was taken out. Mr and Mrs M filled in an application form and were provided with a key features document. There was no indication in the application form or any other documentation that the protection policy was compulsory or affected the decision as to whether Mr and Mrs M would be granted a mortgage. The assignment of a protection policy could indicate that it was a condition of lending. However, I note the application form indicated that this policy was not going to be assigned. So, overall I am not persuaded on balance that Mr and Mrs M were informed they had to have the policy in order to obtain the mortgage.

I have also considered whether the policy was unsuitable for Mr and Mrs M. Mr and Mrs M were married with dependent children. I consider on balance there was a need for cover to protect their mortgage so that if either of them passed away there would be some protection from the financial hardship of having to pay the mortgage (together with other bills and expenses) on only one salary. This policy was designed to protect a mortgage as the sum assured reduced over time as the mortgage would be paid off. Overall, I am not persuaded on balance that it was unsuitable.

Mr and Mrs M were recommended a decreasing term policy in 1998 to protect further borrowing. There is no point of sale documentation available which is understandable given the number of years that have passed since the policy was cancelled. I note the policy lapsed in 2000 when it was replaced by another policy. Overall, I am not persuaded on balance that the policy was unsuitable given Mr and Mrs M's circumstances and because they were taking out further borrowing.

Mr and Mrs M were recommended a decreasing term policy in 2000 to protect further borrowing. A personal financial profile was completed and signed by the consumers. The profile indicated that Mr M and Mrs M were taking out a new mortgage for a term of 17 years. This was the same length of term as the policy recommended. The profile also indicated that paying off their mortgage was a high priority.

The adviser's recommendation stated the consumers wished to ensure their family were not left with the financial burden of repaying the borrowing in the event of either of their deaths. The recommendation indicated that level cover had also been discussed but that decreasing term assurance had been recommended. This was because the consumers wanted to keep the cost down. The recommendation section of the profile also stated that the adviser recommended the consumers' protection needs were reviewed once they have settled down after their home improvements.

I consider there was a meaningful discussion about the consumers 'priorities and objectives. I note there is no suggestion in the profile that the consumers had to take out the policy to obtain the borrowing. So I am not persuaded on balance that Mr and Mrs M were misled by the business in relation to this policy.

I consider that the term of the policy matched the term of the mortgage set out in the financial profile signed by the consumers. I think that if the mortgage was paid back more quickly than originally envisaged then it was Mr and Mrs M's responsibility to cancel the protection policy. I also consider that if the term had been recorded incorrectly Mr and Mrs M were in a position to correct this before signing the document. Overall, I am not persuaded on balance that policy 3 was unsuitable taking into account the consumers' circumstances and objectives.

I have also considered whether the business should have recommended amending or topping up policy 2 rather than the consumers taking out a new policy in 2000. There is very limited information available about this policy. However, I consider it likely that the term for policy 2 would not have covered the term of the borrowing taken out in 2000. So, I am not persuaded on balance that the 2000 recommendation was unsuitable as a result.

my final decision

My final decision is that this complaint is not upheld. I am not persuaded that the consumers were misled in relation to these policies or that the policies were unsuitable.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 11 April 2016.

Julia Chittenden
ombudsman