

complaint

This complaint concerns a regular monthly mortgage premium payment protection insurance (MPPI) policy taken alongside a mortgage with Bradford & Bingley Plc (B&B) in early 1997. Mr A, who is represented by a claims management company believes that the policy was mis-sold to him.

background

The essence of this complaint is that Mr A says that the policy was mis-sold to him as he was not told that the MPPI was optional and that the terms and conditions were not explained to him. Mr A also complains that he was not told how much it would cost and that it was unsuitable for his needs.

This particular MPPI offered Mr A protection in the event he was unable to work due to accident, sickness and unemployment. The mortgage policy and insurance was taken for a term of 25 years and payment for the policy was taken alongside his mortgage payments on a monthly basis.

An adjudicator at this service has considered Mr A's complaint and recommended that it should not be upheld. Mr A and his representative do not agree with this assessment and have asked that the complaint be referred to an ombudsman for a final determination.

my findings

I have only included a brief summary of the complaint and the background above, however, I have considered all the available evidence and arguments 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 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 MPPI complaints.

The key questions I need to consider therefore are:

- Whether B&B gave Mr A information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying.
- Whether in giving any advice or recommendation, B&B took adequate steps to ensure that the product it recommended was suitable for Mr A's needs.

If there were any shortcomings in the way the policy was sold I need to decide if Mr A is worse off as a result; in other words, that he would have done something different - ie not taken out the policy- if there had been no shortcomings.

After careful consideration, I have decided not to uphold Mr A's complaint. I set out my reasons below.

the basis of sale

Mr A says that he was sold the insurance during a meeting but that he cannot remember whether the financial business gave advice to him or recommended that he take out the policy. This is understandable considering that the sale was made over 16 years ago. The business says that the policy was not recommended and no advice was given to Mr A in respect of the MPPI.

The 'Mortgage Application and Insurance Proposal' form sets out that if Mr A chose to take insurance then it would be;

"...your responsibility to read the document carefully to ensure that the cover meets your requirements..."

On balance, I think it is reasonable to decide that there was no recommendation made to take out this MPPI policy and I approach this case on that basis.

was the policy optional

Mr A has said that he was not told that the policy was optional and that he would never have taken out the policy if he had been aware that he had had a choice.

In order to address this issue I have considered the available evidence including the 'Mortgage Application and the Insurance Proposal' form, the 'Offer Of Mortgage Advance' and the 'Payment Protection Insurance Application Form'.

The Mortgage application and insurance proposal includes a section which raises various questions to ascertain information from Mr A in relation to his application for MPPI.

In particular, in this case the words "*quote please not committed*" have been handwritten on the top of the section relating to MPPI. The selection "injury, illness and unemployment has been ticked to indicate that this cover is required rather than the other option for injury and illness only.

The offer of mortgage also draws attention to the '*enclosed Summary of Cover*' and emphasis is placed upon the fact that Mr A should read this carefully to ensure that it meets his requirements. I note in this document that the initial offer of mortgage advance gave a figure of £0.00 as a cost in relation to payment protection. The Payment Protection Insurance and Application Form has been completed on 4 February 1997 some weeks after the mortgage application form was signed. On 11 February 1997 a note has been sent in relation to this matter; stating "*please find attached. Payment Protection form for an amended offer.*" The form has been completed to show that the monthly cover required would be £200.00 amended from the initial £170.00 which has been crossed through.

Taking into account all the documents available to me to review in this case, whilst it is perfectly understandable that Mr A's recollection has faded given the passage of time, it seems to me likely that Mr A understood that he had a choice as to whether to take out the MPPI. I am therefore not persuaded that Mr A was given no option to take a MPPI policy.

were Mr A's information needs met?

Turning to the information Mr A received about the policy at the time. I cannot be certain that B&B did properly inform Mr A; in particular I cannot be sure that the costs of the policy were made sufficiently clear to Mr A as the evidence is incomplete. Due to the passage of time I cannot be certain of what information Mr A was provided with.

However, on balance I am persuaded that Mr A was aware of the benefits which the policy would provide and what could be claimed (the amount of the monthly benefit was self-selected). There was an initial free period of cover for six months and then the cost of the policy was confirmed as £13. This information is contained in the offer of mortgage advance and payment protection application and as a quote was requested before his commitment to the policy I find it more likely than not that he would have given some consideration to the cost of the policy.

However, even if B&B had provided information about the policy that was any clearer, I consider it likely that Mr A's decision to go ahead with the policy would not have been any different. My reasoning for this is as follows:

- Mr A has said that he was working full time when the policy was sold to him. According to Mr A's mortgage application he had been with his employer for approximately 11 years and would have been eligible for the cover that the policy provided. I have not seen any evidence that Mr A would have been subject to any of the limitations or exclusions of the policy such as pre-existing medical conditions or unusual employment terms.
- Mr A was taking out a mortgage for the first time and this policy would have provided him with benefits in the event he became unemployed or too ill to work. In particular, I note that if he became unable to work through illness, Mr A would not have received benefits in excess of Statutory Sick Pay. In the circumstances on balance I find it more likely than not that Mr A would have found the policy useful in the situation that he was unable to work due to his unemployment, accident and sickness.
- I also note that Mr A says he had some savings which he could have relied on if he encountered financial difficulties. However, as Mr A was taking on a new financial commitment, if he became unable to work he would likely suffer a large fall in income. In which case he would most likely find the cover of the policy useful.

summary

I would comment that even if there were shortcomings in the information provided to Mr A, it is not clear that Mr A's decision to take out the policy would have been any different.

He appears to have had a need for cover, with limited alternative means of meeting his mortgage obligations. The cover seems to me to provide a worthwhile benefit and was free for a period of six months. I am also not persuaded that Mr A would likely have acted differently (that is, not taken out the policy) had clearer information been provided to him.

my final decision

My final decision is that I do not uphold this complaint and make no award against Bradford & Bingley Plc.

Nicola Woolf
ombudsman