

complaint

Mr and Mrs B complain that Landmark Mortgages Limited mis-sold them a payment protection insurance (“PPI”) policy. The complaint is brought on their behalf by a claims management company.

background

In October 2008, Mr and Mrs B took out a PPI policy when they applied for additional borrowing on their mortgage. They made the application by phone. The policy protected their additional lending repayments if either of them couldn’t work due to accident, sickness or unemployment and the benefit was split equally between them.

Landmark Mortgages Limited was formally known as NRAM Plc and was trading at the time as Northern Rock. To keep things simple, I’ll refer to NRAM as the seller in my decision.

Our adjudicator did not recommend that the complaint should be upheld. Mr and Mrs B didn’t agree so the complaint has been passed to me for a final decision.

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 PPI on our website and I’ve taken this into account in deciding Mr and Mrs B’s complaint.

I don’t find that NRAM gave Mr and Mrs B advice. As it didn’t recommend the policy, it didn’t need to ensure it was suitable for Mr and Mrs B.

So the key question I need to consider is did NRAM give Mr and Mrs B 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 insurance they were buying? And, if there was a problem with the way the policy was sold, then I need to consider whether Mr and Mrs B are worse off as a result. That is, would they have done something different – such as not taking out the policy – if there hadn’t been any problems with the sale?

I’ve decided not to uphold Mr and Mrs B’s complaint for the following reasons:

NRAM has been able to provide a recording of the phone call. During the call, NRAM tells Mrs B that the policy is optional. This is reflected in the mortgage offer which explains that building insurance is the only insurance which Mr and Mrs B must have in place as a condition of the mortgage. PPI is described as “*optional insurance*”. So, overall, I think Mr and Mrs B knew they had a choice and they decided to take out the policy even though they knew they didn’t have to have it.

It’s possible the information NRAM gave Mr and Mrs B about the PPI wasn’t as clear as it should have been. But I don’t think they would have been put off taking out the policy if they had received better information. I say this because:

- Mr and Mrs B were eligible for the policy given their circumstances and the terms and conditions.
- They weren't affected by any of the conditions limiting the policy's main benefits such as those affecting self-employed people. As they could've benefitted from the full extent of the cover, I think it unlikely they needed better information about the policy's exclusions and limitations.
- NRAM didn't advise Mr and Mrs B to take out the policy, so it didn't have to check that it was suitable for them. Mr and Mrs B told us they didn't need the policy because they'd have received sick pay from their employers and they had some savings. But the additional borrowing was a major financial commitment and their home was at risk if they couldn't meet the repayments. Despite what they now recall, during the phone call Mrs B said they wanted some cover if they couldn't work due to sickness or an accident, or if they'd become unemployed. And she said this knowing what existing arrangements they had in place.
- NRAM told Mr and Mrs B the cost of the policy. So they knew, before they agreed to take it out, that it would cost them £46 each month.

For the reasons I've explained, I don't think Mr and Mrs B would've made a different decision about taking out the policy if better information had been provided to them – overall I think they would have still taken out the policy.

my final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs B to accept or reject my decision before 21 February 2019.

Elizabeth Dawes
ombudsman