

complaint

Mr and Mrs G complain that Bank of Scotland plc ('BOS') mis-sold payment protection insurance ('PPI') to them alongside a mortgage in 1988.

background

Mr and Mrs G took out a joint mortgage in August 1988. They made their first repayment of £252.90 in or around October 1988.

In December 1989, they applied for a PPI policy, which was set up to cover Mr G only. They were covered for £100 per month towards their mortgage repayments if he became unwell or if he lost his job. The initial cost of the policy was approximately £4 per month increasing to £6 per month over the years.

Our adjudicator didn't think the complaint should be upheld. She didn't think the policy had been mis-sold. And she thought the offer BOS had made to Mr and Mrs G to repay some of their PPI premiums was fair.

Mr and Mrs G didn't agree with that view. So the matter has been passed to me to make 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 that into account in deciding this case.

I'm sorry to disappoint Mr and Mrs G, but I haven't upheld this complaint. I'll explain why below.

The parties agree that this PPI policy was sold during a meeting. I can't know what was said during that meeting. So to help me decide what's likely to have happened, I've looked at what Mr and Mrs G told us about the policy. And I've also considered the paperwork that's available from the time.

The first thing I've thought about is whether Mr and Mrs G would have known this PPI was optional and they didn't have to take it out if they didn't want it. I can see that Mr and Mrs G bought this policy some time after their mortgage had started. So I think they'd have known it wasn't a condition of their loan. And I think they'd have known they didn't have to buy it if they didn't want it.

Mr and Mrs G said they were pressured into buying the PPI policy because their home would be at risk if it wasn't protected by PPI. Their home *would* have been at risk if they couldn't keep up repayments on their mortgage, so I don't think pointing that out amounts to a pressured sale.

The parties agree that BOS advised Mr and Mrs G to buy this policy. So it had to make sure that the PPI was suitable for their needs. To help me decide whether it was suitable, I've looked at the terms and conditions of the policy. And I've considered what they told us about their personal circumstances at the time.

As I said above, this PPI was set up to cover Mr G only. I can see that Mrs G was in secure employment in the public sector and so I think it was reasonable for BOS to suggest that only Mr G was insured.

There's been some confusion in respect of how long Mr G would have been covered if he had to make a claim. Our adjudicator initially said that he would have been covered for 24 months if he was unwell or lost his job. Mr and Mrs G didn't agree with that. They said they thought the cover would have only lasted for 12 months. Our adjudicator then said that cover would have lasted for 24 months if Mr G was unwell and for 12 months if he lost his job. I've looked at the certificate of insurance and I'm satisfied that Mr G would have been covered for 24 months for both redundancy and illness.

Mr G told us that he'd have received more than 12 months sick pay from work if he was unwell. As this policy would have covered him for up to 24 months, I think it would have paid out for longer than his sick pay would have lasted. But I've also been mindful of the fact that the PPI didn't cover Mr G for his full share of the mortgage repayments. Throughout this complaint, Mr and Mrs G have stressed that they had a reasonable amount of savings. And so I think this PPI policy would have given them some breathing space at what would have no doubt been a very stressful time for them if Mr G couldn't work. It would have ensured that through a combination of Mr G's sick pay arrangements, PPI and the savings that were in place, Mr and Mrs G would have been able to keep up with their mortgage payments if Mr G couldn't work.

So for the reasons I've set out above, I think this PPI policy probably was suitable for their needs.

BOS still had to give Mr and Mrs G enough information about the PPI so they could decide for themselves whether it was a good fit for their needs. I accept it's possible that BOS didn't tell Mr and Mrs G everything it should have done about the policy. But I don't think more or better information would have put them off buying this PPI. I haven't seen anything to suggest they needed to keep their costs down. I've set out above how I think PPI could have been helpful for them if Mr G was out of work. And I think that they chose to buy this cover after their mortgage had started.

All of this means that BOS doesn't have to pay back all of the cost of the PPI to Mr and Mrs G. But BOS has paid back *some* of the cost of the PPI to Mr and Mrs G because:

- BOS got a high level of commission and profit share (more than 50% of the PPI premium) - so it should have told Mr and Mrs G about that. Because BOS didn't tell them, that was unfair.
- To put that right, BOS has paid back the amount of commission and profit share that was above 50% of the PPI premium - and I think that is fair in this case.

my final decision

The PPI policy wasn't mis-sold – so Bank of Scotland plc does not have to pay back all of the cost of the PPI to Mr and Mrs G.

But Bank of Scotland plc does have to pay back to Mr and Mrs G any commission and profit share it got that was more than 50% of the PPI premium. I understand it has already done this, so I don't award any further compensation.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs G to accept or reject my decision before 21 January 2019.

Nicola Bowes
ombudsman