complaint

Mr and Mrs H complain that Bank of Scotland plc mis-sold them a mortgage payment protection insurance (MPPI) policy in 1996.

background

The policy covered Mr and Mrs H's monthly mortgage payment in the event they were unable to work due to accident, sickness and unemployment. They say they were told they had to have the policy in order to be offered a mortgage.

They say they didn't want or need the policy because they each had 12 months' sick pay. They also had savings equivalent to 12 months' salary. Mr and Mrs H told us they wouldn't have taken out the policy if they hadn't been told it was a condition of being given the mortgage.

Our adjudicator didn't uphold this complaint. He thought that the policy was an appropriate recommendation for Mr and Mrs H.

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 this case.

I've decided not to uphold this complaint and I'll explain the reasons for this.

First I've looked at whether it was made clear to Mr and Mrs H that the MPPI wasn't compulsory in order to obtain the mortgage. There's little information available from the time of sale to show how this policy was sold to them. In their response to the adjudicator's view, Mr and Mrs H complained specifically about Bank of Scotland plc not being able to provide documentation from the time of the sale. But this isn't surprising given the sale took place around 20 years ago and the mortgage and MPPI policy also ended some time ago.

So I've looked at the information that *is* available and the testimony of both parties in order to decide what's most likely to have happened.

Mr and Mrs H say they were told they had to have the MPPI if they wanted to get a mortgage with Bank of Scotland plc. I've considered this, but I'm not persuaded their recollections are detailed enough for me to rely on them so many years after the sale. It's possible for memories to fade with the passage of time and I must bear this risk in mind when deciding what's most likely to have happened.

I've also seen mortgage application forms from Bank of Scotland plc from around the time of sale, in other cases, that made clear that MPPI was optional. While that doesn't mean Mr and Mrs H can't have been told by an adviser that they had to have it, I think they might have questioned it, given the mortgage application would most likely have suggested it was optional. Overall, I'm not persuaded it's more likely than not they were told they had to have the policy.

Next, I've looked at whether the policy was suitable for Mr and Mrs H. Bank of Scotland plc recommended that Mr and Mrs H take out the MPPI. So it had to make sure that the policy was suitable.

The MPPI policy would have contained exclusions and limitations. The main ones might have affected people who were self-employed or had health problems. But Mr and Mrs H weren't self-employed and they say they didn't have any health problems. So I think it's most likely that they would have been able to claim under the policy if they needed to.

When Mr and Mrs H first brought their complaint to us, they told us that they had 12 months' sick pay. They also told us that they had 12 months' savings to call upon. They say they wouldn't have needed the policy because they could have used their sick pay and savings to cover their monthly mortgage payments. However, when he was contacted by Bank of Scotland about this complaint, Mr H said his sick pay was likely to have been 6 months on full pay and would have changed to half pay thereafter. This makes me think there could be some doubt around what his sick pay would have been at the time of the sale. And given Mrs H's job at the time of the sale, it seems most likely to me that she would also have had sick pay entitlement of full pay for 6 months, changing to half pay thereafter for a further 6 months.

But even if I assume that Mr and Mrs H had a generous level of employer benefits, I don't think this is enough for me to say that the policy wouldn't have been useful for them. Although the policy document is no longer available, I think it's likely that the MPPI would have covered the mortgage repayment for at least 12 months in the event of a successful claim. I think this would have given Mr and Mrs H a valuable benefit at a difficult time. It would have allowed them to use any sick pay for other necessary, household expenses and it would also have covered them in the event of redundancy. It would have meant that their savings were protected. I think it's likely that they'd have appreciated the benefit of longer term protection given the serious consequences of defaulting on a debt secured against their home. So overall, I'm not persuaded that the MPPI policy was inappropriate for them.

Finally, Bank of Scotland plc also had to give Mr and Mrs H enough information for them to make an informed decision about whether or not to take the MPPI.

It's possible Bank of Scotland plc didn't give Mr and Mrs H clear enough information about the cost, benefit, main exclusions and limitations of the policy. But I don't think that Mr and Mrs H would have been affected by the main exclusions and restrictions. And the cost of the policy was comparable with the costs of other similar polices available at the time. So on balance, I don't think having better information would have changed their decision or put them off taking out the MPPI.

my final decision

For the reasons I've explained above, I don't uphold Mr and Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs H to accept or reject my decision before 15 February 2016.

Katrina Hyde

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