

## **complaint**

Mr and Mrs B complain that The Prudential Assurance Company Limited (“Prudential”) mis-sold them a mortgage payment protection insurance (“MPPI”) policy in 1997.

## **background**

Our adjudicator upheld the complaint. Prudential didn’t agree, and so the case has been passed to me for a final decision to be made.

I would like to apologise to all parties for the length of time it has taken for the case to reach this stage.

## **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 explained our approach to complaints about payment protection insurance on our website, and I’ve used this approach in this case.

I’m going to uphold this complaint. I’ll explain why.

The policy was taken out in Mr B’s name only, and was designed to protect the mortgage payments if Mr B were unable to work through accident or sickness.

However Mr B had a pre-existing medical condition. Looking at the terms of the policy, this condition wouldn’t be covered, nor would any time off “arising from” that condition. As Prudential advised Mr B to take the policy, it had a duty to make sure the policy was suitable for him, as well as giving Mr and Mrs B enough information so they could decide whether they wanted to take it out. Our adjudicator thought this policy wasn’t suitable for them.

Prudential said in response to our adjudicator’s opinion that Mr B’s condition hadn’t affected him significantly for some time, and having spoken to the claims department it “may” have covered him had he needed to claim.

These are not persuasive arguments. Whilst it is accurate to state that Mr B hadn’t had any time off work with his condition, the policy document states it would be excluded for the entire term of the mortgage. Prudential was not able to say at the time of the sale that Mr B wouldn’t need any time off over such a long period of time. And the response from the claims department falls some way short of convincing me that Mr B would’ve been able to claim had he needed to take time off.

On balance, although I can see that Mr and Mrs B did want to protect their mortgage, I think they’d probably have decided not to buy the MPPI had they known about the exclusion. It, or something arising from it, represented the most likely reason he’d need to claim.

## **what the business needs to do to put things right**

Prudential should put Mr and Mrs B back in the position they would’ve been in if they hadn’t taken out PPI. So Prudential should:

- Pay Mr and Mrs B the amount they paid each month for the PPI.

- Add simple interest to each payment from when they paid it until they get it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on†.
- If Mr and Mrs B made a successful claim under the PPI policy, Prudential can take off what they got for the claim from the amount it owes them.

† HM Revenue & Customs requires Prudential to take off tax from this interest. Prudential must give Mr and Mrs B a certificate showing how much tax it's taken off if they ask for one

### **my final decision**

For the reasons above, I uphold this complaint and order The Prudential Assurance Company Limited to compensate Mr and Mrs B as set out in the above section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs B to accept or reject my decision before 14 November 2016.

Nigel Hamilton  
**ombudsman**