complaint

Mr S and Miss P's complaint is about the sale of a mortgage payment protection insurance (MPPI) policy. They're also unhappy with the amount of compensation Nationwide Building Society has offered to put things right.

background

This complaint is about a monthly premium MPPI policy taken out with a mortgage in 2004.

Mr S and Miss P applied for the policy at a meeting. The total policy benefit was equally split between Mr S and Miss P; in the event of one of them becoming unemployed or being unable to work due to illness it was designed to cover 50% of their monthly mortgage repayments.

In 2014, Nationwide agreed that Miss P's section of the policy had been mis-sold. This was because Miss P was ineligible for cover as she wasn't employed when the policy was sold. To put things right, Nationwide offered to refund half of all the premiums Mr S and Miss P had paid plus interest. Mr S and Miss P didn't think this was enough.

One of our adjudicators considered the case and thought the offer Nationwide had made was fair.

Mr S and Miss P 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 S and Miss P's case.

As Nationwide agreed to uphold Mr S and Miss P's complaint in part, I don't need to consider whether MPPI was mis-sold to Miss P. I've first considered whether their complaint that MPPI shouldn't have been sold to Mr S should also be upheld. And then whether Nationwide's compensation offer was fair.

I've decided not to uphold the complaint that MPPI was mis-sold to Mr S because:

- I think Nationwide made Mr S aware that the MPPI was optional and that he chose to take it.
- Nationwide didn't recommend the MPPI to Mr S so it didn't have to check if it was suitable for him.
- I think Nationwide could've explained the cost of the policy better than it did. But even if it had, I think Mr S would still have bought it. Accident, sickness and unemployment cover for Mr S only, covering 50% of their mortgage repayments, would have cost half of what they actually paid for 100% cover. And the policy would've paid out in addition to any sick or redundancy pay Mr S was entitled to for up to a year. So I think Mr S would've found the MPPI useful to help cover his mortgage repayments if he couldn't work.

Especially as Mr S and Miss P have told us they didn't have any savings at the time which they could fall back on.

- It's possible Nationwide didn't point out the main things the policy didn't cover. Mr S and Miss P's representatives have said both applicants had to meet the eligibility criteria to benefit from the policy. They've said they were eligible as a couple but not separately. But, based what I know about Nationwide policies and Nationwide's explanation, I don't think that's right. Mr S would have been eligible to claim on the policy even if Miss P wasn't. And I think it's unlikely Mr S would've been affected by any of the main things the policy didn't cover.

I've taken into account all of Mr S and Miss P's representative's comments, including their suggestion that if MPPI had been sold correctly Mr S should've been covered for 100% of the monthly mortgage repayments. But these points don't change my conclusion.

If I were to tell Nationwide to put Mr S and Miss P in the financial position they would be in now if they'd taken cover in Mr S' sole name, Nationwide wouldn't need to do anything. Mr S and Miss P wouldn't have lost out financially.

I'm satisfied MPPI was selected on Mr S and Miss P's mortgage application because they wanted it. They may not have got quite the benefit split they wanted. But I don't think that means, as Mr S and Miss P's representative has suggested, that they should be put in the financial position they'd been in if they hadn't taken any MPPI.

I don't think it was unreasonable for Nationwide to base the compensation it offered on Mr S and Miss P taking out MPPI which provided 50% mortgage cover for Mr S only. Particularly because the mortgage application form shows that Miss P received some income from her widow's pension.

I've reviewed the method Nationwide used to calculate this compensation and I think it's fair. I say this because Nationwide worked out how much compensation Mr S and Miss P should get for Miss P's half of the policy using the same method I would tell it to follow if I'd upheld that part of the complaint. Nationwide offered to return the premiums they paid for Miss P's section of the policy and added 8% simple interest for the time they lost the use of this money.

putting things right

I understand that, to date, Mr S and Miss P haven't accepted or received the compensation Nationwide offered in June 2014. So I think Nationwide should update its offer to bring the interest[†] up to date before paying the total amount directly to Mr S and Miss P.
[†]HMRC requires Nationwide to take off tax from this interest. But if Miss P doesn't pay income tax she'll be able to claim the amount Nationwide takes off her share of the interest back from HMRC. To help her do that, Nationwide should give Miss P a tax certificate.

my final decision

For the reasons I've explained, I think the offer Nationwide Building Society made in June 2014 for mis-selling MPPI to Miss P was fair. I don't uphold the complaint that MPPI was also mis-sold to Mr S.

In line with my instructions above, Nationwide Building Society should update its calculation to bring the interest up to date before paying the total amount to Mr S and Miss P.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr S and Miss P to accept or reject my decision before 11 April 2016.

Helen Liburd
ombudsman