

complaint

Mr and Mrs K have complained that Santander UK Plc trading as Abbey National ("Abbey") mis-sold them a regular premium mortgage payment protection insurance ("MPPI") policy.

background

I issued a provisional decision in this complaint on 16th of September 2015. That provisional decision is attached and forms part of my final decision.

Mr and Mrs K didn't submit any new information. Abbey responded and told us that it didn't agree with my provisional decision. It told us that it didn't have the information from Mr K about his employer benefits at the time of the sale, so the advice it gave was suitable.

my findings

I've carefully reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

With an advised sale - where a recommendation is made to a consumer - we would expect Abbey to have taken adequate steps to identify and consider a consumer's needs, and to make an appropriate recommendation to them.

Based on the information that's been provided to me, I don't think it's likely that Abbey flagged the issue of employer benefits to Mr and Mrs K. Abbey told us that it didn't have the appropriate information. But it did know about Mr K's occupation and his length of service. Given that it had this information about his circumstances, I don't think Abbey took adequate steps to identify Mr and Mrs K's needs in light of his entitlement on redundancy. And overall, he didn't have a particularly strong need for cover, but I think it's unlikely Abbey considered this when making its recommendation.

For the reasons I explained in my provisional decision, I think that Mr and Mrs K lost out as a result and I'm upholding this complaint.

what the business should do to put things right

Abbey should put Mr and Mrs K in the position they'd be in now if they hadn't taken out MPPI. The policy should be cancelled if it hasn't been cancelled already and Abbey should:

- Pay Mr and Mrs K the amount they paid each month for the MPPI
- 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 K made a successful claim under the MPPI policy, Abbey can take off what they got for the claim from the amount it owes them.

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

my final decision

I'm upholding this complaint and Santander UK Plc should pay Mr and Mrs K fair compensation as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs K to accept or reject my decision before 16 November 2015.

Katrina Hyde
ombudsman

complaint

Mr and Mrs K have complained that Santander UK Plc trading as Abbey National ("Abbey") mis-sold them a regular premium mortgage payment protection insurance ("MPPI") policy.

background

Mr and Mrs K applied for a re-mortgage over the phone in 2006. At the same time they were sold MPPI. It was designed to cover their monthly mortgage repayment and provide some extra money for other outgoings.

Two of our adjudicators looked at this complaint. The first was of the view that the complaint should be upheld. The second was of the view that the complaint shouldn't be upheld.

Mr and Mrs K didn't agree with the second adjudicator's assessment. They gave us further information about Mr K's entitlement to redundancy pay. The complaint was then passed to me to decide.

my provisional 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.

Abbey recommended the MPPI to Mr and Mrs K. In those circumstances they had a responsibility to take adequate steps to make sure that the MPPI was suitable for their needs.

In 2006, Mr K had been working for 20 years in a relatively secure job. I think that Mr K's length of service and his occupation should have alerted Abbey to the fact that his employer benefits were likely to be very good. On the basis of information which Mr K's given us about his redundancy scheme, he was entitled to approximately 3 years of salary which amounted to over £100,000. (I'm aware that Abbey hasn't had sight of the information about the redundancy scheme, so I'm arranging for a copy to be enclosed with this decision.) This amount was equal to ninety per cent of the amount they were borrowing on the re-mortgage. This makes me think that Mr K didn't have a particularly strong need for the cover and that Abbey shouldn't have recommended it.

I've considered whether Mr and Mrs K would have decided to take out the policy anyway, if Abbey had advised them properly.

The policy would have provided Mr K with a benefit for accident and sickness, as well as unemployment.

Mr K told us that he was entitled to full sick pay for six months, followed by half sick pay for up to 12 months. But the MPPI would have paid out for up to 12 months and it would have given him security at what would have been a difficult time. So I think it would have been of *some* value to him, and I've considered that Mr K would have had to weigh this value in light of the unemployment part of the cover.

However having considered the circumstances of Mr and Mrs K carefully, and looking at the cover in the round, I think that if Abbey had advised them properly it's most likely they would have thought that the MPPI wasn't good value for them and they'd have decided against taking it out.

For these reasons, I think that Mr and Mrs K lost out as a result and I intend to uphold this complaint.

what the business should do to put things right

Abbey should put Mr and Mrs K in the position they'd be in now if they hadn't taken out MPPI. The policy should be cancelled if it hasn't been cancelled already and Abbey should:

- Pay Mr and Mrs K the amount they paid each month for the MPPI
- 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 K made a successful claim under the MPPI policy, Abbey can take off what they got for the claim from the amount it owes them.

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

my provisional decision

I intend to uphold this complaint. Unless I receive information by 16 October 2015 that changes my mind, I will require Santander UK Plc to pay fair compensation as set out above.

I now invite all parties to give me any further information that they want me to consider before I make my final decision. This must be provided to us within one month of the date of this provisional decision.

Katrina Hyde
ombudsman