

complaint

Mr and Mrs A complain that Bank of Scotland plc, trading as Halifax, mis-sold them two life and critical illness policies that weren't right for them.

Mr and Mrs A are represented by a claims management company.

background

The background to this complaint was set out in my provisional decision which was issued in December 2015. A copy of this is attached and forms part of this decision.

Halifax responded to say that it had received my provisional decision, but had no more comments to add.

Mr and Mrs A's representatives said that Halifax referred to Mr and Mrs A's policy as PPI and should have addressed this.

my findings

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

From the information provided, I'm satisfied that Halifax adequately looked into the particular concerns Mr and Mrs A's representatives raised about them having PPI, and found that their mortgage protection plan didn't include this particular element. It then responded to the complaint about the remaining elements of Mr and Mrs A's mortgage protection plan in a reasonable time frame, once it was made aware of it. It's because of this that I see no reason to change the conclusions I reached in my provisional decision.

my final decision

My decision is that Bank of Scotland plc, trading as Halifax, doesn't need to do anything more to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs A to accept or reject my decision before 18 February 2016.

Cathy Bovan
ombudsman

complaint

Mr and Mrs A complain that Bank of Scotland plc, trading as Halifax, mis-sold them two life and critical illness policies that weren't right for them.

Mr and Mrs A are represented by a claims management company.

background

Mr and Mrs A took out an endowment mortgage with Halifax in 1998. In 2002, they cancelled their endowment policy and changed their mortgage to a repayment basis.

Halifax recommended that they should think about taking out a form of life cover to protect the mortgage now they no longer had their endowment policy. Mr and Mrs A took out a policy which gave them life and critical illness cover that would repay their mortgage if they passed away during its term. At that time, Halifax only offered this type of cover on a level basis which meant the sum assured stayed the same through the term of the policy.

In 2008, Mr and Mrs A took out a further advance on their mortgage. Halifax recommended that they should take out a decreasing policy providing life and critical illness cover to match the increase in their borrowing.

Mr and Mrs A cancelled their policies in 2011 when they redeemed their Halifax mortgage.

At the end of 2012, Mr and Mrs A's representatives complained about the advice they'd been given. Their representatives believed Mr and Mrs A's policy was payment protection insurance (PPI). Halifax said that, although Mr and Mrs A's policies could have included a type of PPI, both of their policies were only for life and critical illness cover.

Halifax said that Mr and Mrs A had a clear need for the cover these policies gave them at the time they were sold. They weren't conditional requirements of Mr and Mrs A's mortgage borrowing and they could have said no to the recommendations, or cancelled the policies when they received the documentation for them.

Our adjudicator thought Mr and Mrs A's complaint should be partly upheld. Although he thought the policies were suitable for Mr and Mrs A's circumstances when they were sold, he said the policy sold in 2002 wasn't the most appropriate to protect Mr and Mrs A's repayment mortgage. He recommended that Halifax should compare the costs of this level policy with one providing the same cover but on a decreasing basis. This was because the sum assured would have gradually gone down in line with the capital Mr and Mrs A owed on their mortgage.

The adjudicator also thought that Halifax should pay Mr and Mrs A £150 to recognise the inconvenience they were caused through the delay in addressing their complaint as being about life and critical illness cover rather than PPI.

Halifax completed the comparison suggested by the adjudicator. This showed that a decreasing policy would have been slightly more expensive than the policy Mr and Mrs A were sold. But Halifax didn't agree that it caused delays with the complaint or that it should pay Mr and Mrs A compensation for this.

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.

I've looked carefully through the available documentation from the time Mr and Mrs A were sold these two policies. Considering their circumstances at the time, I think it was a reasonable recommendation for them to look to protect their ability to repay this joint mortgage commitment if either of them was to die, or became critically ill.

They would have originally had life cover through their endowment policy when they started their Halifax mortgage. But I haven't seen anything to confirm that it was a condition of this mortgage that they had to have suitable life cover in place.

I've seen the letter Halifax wrote to them in 2002 when their mortgage changed to a repayment basis. Although this reminds them that they no longer had the life cover from the endowment policy, it doesn't say that they had to have this.

Mr and Mrs A's mortgage offer from 2008 confirms that only buildings insurance was a condition of the further advance they had applied for.

I agree that a policy giving them decreasing cover would have been a more appropriate match for the changes they made to their mortgage in 2002. However, Halifax's calculations have shown that a decreasing policy would have been slightly more expensive each month than the level policy they had. They cancelled this policy in 2011 so I can't say that Mr and Mrs A have lost out financially because it was on a level basis rather than decreasing.

Where my provisional findings differ to those of the adjudicator is in relation to Halifax's actions in addressing Mr and Mrs A's complaint. I accept that there was a significant period of time between them first complaining about their policies in 2012, to them receiving a response to the complaint about the life and critical illness cover their policies gave them.

But the original complaint Mr and Mrs A's representatives made to Halifax was about PPI. This is what Halifax investigated and it found that Mr and Mrs A's policies didn't actually include any PPI. It was only when we were able to look into the details of Mr and Mrs A's policies that we saw that Halifax hadn't had an opportunity to respond to the complaint about the life and critical illness cover.

Halifax then responded to this complaint in a timely manner. It's because of this that I don't think it should be held at fault for the delays Mr and Mrs A have experienced.

my provisional decision

My provisional decision is that I don't intend to ask Bank of Scotland plc, trading as Halifax to do anything more to resolve this complaint.

Cathy Bovan
ombudsman