

complaint

Mr and Mrs M complain The Prudential Assurance Company Limited mis-sold them a mortgage endowment policy in 1996 that was unsuitable for them.

background

Mr and Mrs M took out a with-profits mortgage endowment policy on the advice of The Prudential in 1996 with a target value of just over £17,000 for a term of 25 years. This was a top-up policy for existing policies designed to pay off their mortgage. They applied for a new policy in 1999 when they found themselves in financial difficulties and cashed in an earlier policy.

In 2016, they complained through a representative that the 1996 policy wasn't suitable for their circumstances at the time. The Prudential rejected their complaint so they came to this service but our adjudicator didn't think the complaint should succeed. So their representative asked for review by an ombudsman.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. The policy complained of was taken out as a top-up for two existing policies so Mr and Mrs M had some experience of mortgage endowment policies and how they work. This kind of with-profits policy was considered a relatively low risk product in 1996. But the main point made by Mr and Mrs M's representative is that the policy wasn't suitable for them in 1996 because of affordability.

I've looked at the evidence around the application for the policy in 1996. This isn't as extensive as the documentation for the application in 1999. But I need to decide what the likely situation was in 1996 based on what I've seen. Mr and Mrs M say Mr M was only earning around £6,000 in 1996 in the mortgage endowment questionnaire. This also says that Mrs M was also earning about that amount. The application form from 1996, which is the only document we have from that time, says that Mrs M wasn't working at all.

By 1999, Mr M appears to have been earning a little over £18,000. The mortgage they had in 1996 was for around £45,000. I think it's unlikely they would've been given a mortgage of this size if their household income was only £6,000. Their representative's mentioned financial difficulties. I can see they were struggling in 1999 because of some home improvements they had committed to and Mr M's customers not paying on time, but I can't see anything to say they were struggling before they took out the policy in 1996. Nor is there any evidence that they had a history of surrendering policies at that time. So from the evidence I have, I can't see anything to suggest The Prudential should have thought the policy was unaffordable in 1996.

The policy was a top-up policy at the same risk level as the original endowment policies. The term meant it would end before their expected retirement giving them time to make up any potential shortfall to pay off their mortgage. Looking at all the circumstances, I don't think the policy was unsuitable for them at the time.

my final decision

For the reasons given above, it's my final decision that this complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 5 December 2016.

Susie Alegre
ombudsman