

complaint

Mr and Mrs M complain that The Prudential Assurance Company Limited ("Prudential") mis-sold them mortgage payment protection insurance ("PPI").

background

Mr and Mrs M applied for PPI in 1998 during a personal financial review with a Prudential advisor. The policy cost £11.42 per month and would've paid a benefit of £202 for up to 12 months if either Mr or Mrs M were too ill to work or became unemployed.

Mr and Mrs M say they weren't told about any of the policy's exclusions and were concerned that Mr M couldn't have claimed on the policy as he was self-employed at the time. Our adjudicator upheld this complaint for a different reason. Mrs M was working less than 16 hours and therefore wasn't eligible for the policy.

Prudential agreed that Mrs M shouldn't have been added to the policy. They contacted the insurer and requested that the records were changed to show that Mrs M was never eligible for the cover and that any retrospective claim should be paid out as if Mr M had been covered for 100% of the policy. Prudential says there has been no financial loss and no redress should be paid to Mr and Mrs M. The case has been passed to me to make 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 this case.

Mr and Mrs M thought the policy was sold to them in 1992 and that it was just renewed in 1998. However, Prudential's records show that the policy started in 1998 and there's no indication of an earlier policy. Also, Mr and Mrs M couldn't provide any evidence to show that PPI was in place earlier than 1998. So with the information available I think it's likely that the policy started in 1998.

I can understand Mr and Mrs M's concerns as some PPI policies made it very difficult for the self-employed to make a successful claim. However, having looked at the relevant policy document I can see that Mr M was eligible for the policy and that making a claim wouldn't have been particularly difficult for him.

It's agreed that Mrs M wasn't eligible for the policy and that she shouldn't have been added to the policy. Prudential says there hasn't been any financial loss. However, I disagree and I'll explain why.

Prudential provided a copy of a fact find that was completed with Mr and Mrs M at the time of sale. I can see that their salaries were very similar and there's a note showing that Mr and Mrs M relied on each other's salaries, so choosing to split the benefit of the policy equally between them made sense.

I think if Mr and Mrs M had known that Mrs M wasn't eligible for the cover, they wouldn't have opted to cover Mr M for 100% of the benefit as this would've over insured them and still left them with a risk on their mortgage if Mrs M couldn't work. I think it's more likely that they wouldn't have selected the cover at all. And so I think they have lost out as a result of what Prudential did wrong and should be compensated.

putting things right

Prudential should put Mr and Mrs M in the position they'd be in now if they hadn't taken out PPI. They should:

- Mr and Mrs M 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 8% a year†.
- If a successful claim was made under the PPI policy, Prudential can take off what Mr and Mrs M 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 M a certificate showing how much tax it's taken off if they ask for one.

my final decision

For the reasons I've explained I uphold Mr and Mrs M's complaint and direct The Prudential Assurance Company Limited to pay the compensation as described above.

Under the rules of the Financial Ombudsman Service, I'm required to Mr and Mrs M to accept or reject my decision before 24 March 2016.

Nina Walter
ombudsman