

complaint

Mr and Mrs B complain that Nationwide Building Society ("Nationwide") mis-sold them a payment protection insurance (PPI) policy.

background

In October 1995 Mr and Mrs B took out a mortgage with Nationwide. At the same time they were sold PPI, to cover their monthly mortgage repayments if Mr B couldn't work due to accident, sickness or unemployment. Mr B was the sole policy holder of the policy.

Mr and Mrs B think Nationwide mis-sold the policy.

Our adjudicator thought Mr and Mrs B's complaint should be upheld. He was concerned that the policy wouldn't pay out for the first 90 days if Mr B, as the sole policy holder, needed to claim. As Mr B didn't have any savings or sick pay, he thought he would struggle to pay his mortgage during the first 90 days.

Nationwide didn't agree with our adjudicators view. It said it disclosed sufficient information on the policy through sales documentation given at the time and it was up to Mr and Mrs B to make an informed decision on whether they wanted the policy.

my provisional findings

I've considered all the available evidence and arguments to decide, provisionally, what is 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 and Mrs B's case.

I've decided to uphold Mr and Mrs B's complaint and will explain why.

I can see from the information provided that Nationwide didn't give a recommendation to Mr and Mrs B and so it needed to ensure that it provided clear information to them but I'm not persuaded it did.

The available evidence suggests that the 90-day deferred period was not made clear in the sales documentation. It is only given on page 3 of the policy document and is not displayed on the application form. I think this shortcoming would have made a difference to Mr and Mrs B's decision about whether to take out the policy or not. I can see that Mr B didn't have any sick pay or savings at the time he took out the PPI. So he might have struggled to pay his mortgage for that 90-day period if he was made unemployed or couldn't work because he was sick. And as I have already said, I haven't seen persuasive evidence that the 90-day deferred period, or the consequences of it, were made clear to him.

Nationwide has said that the 90-day deferred period wouldn't have caused a problem in reality. It says it would have offered Mr and Mrs B a payment concession if they couldn't pay their mortgage during this period. That is, it would have accepted a reduced payment during those 90 days and allowed them to pay off the difference over time.

But Mr and Mrs B couldn't have relied on this at the point of sale. The purpose of the policy was to provide peace of mind that their mortgage repayments would be met in the event they

were unable to work. Given the 90-day deferred period, they would miss three-months of mortgage payments and gone into arrears, possibly with negative information added to their credit file, before the policy began to pay out.

In conclusion, for the reasons given I think Nationwide did not provide enough information to Mr and Mrs B and if it had I am persuaded they would have decided not to have the policy for the reasons given. So I think Nationwide mis-sold the policy to Mr and Mrs B.

what Nationwide should do to put things right

Nationwide should put Mr and Mrs B in the position they'd be in now if they hadn't taken out the MPPI. Nationwide should:

- Pay Mr and Mrs B the amount he 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 B made a successful claim under the MPPI policy, Nationwide can take off what they got for the claim from the amount it owes them.

† HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Mr and Mrs B 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 B's complaint.

Nationwide Building Society should pay Mr and Mrs B compensation in line with the instructions set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs B to accept or reject my decision before 9 November 2015.

Mark Richardson
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