

complaint

Mr B and Miss W say London and Country Mortgages Ltd (LCM) mis-sold them a mortgage payment protection insurance (MPPI) policy.

background

This complaint is about a regular premium MPPI policy taken out with a mortgage in 2005.

Our adjudicator upheld the complaint. LCM disagreed with the adjudicator's opinion so the complaint has been passed to me.

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 Mr B and Miss W's case.

I've decided to uphold Mr B and Miss W's complaint because I don't think LCM gave them clear enough information about the policy.

LCM have said they included a policy summary when writing to Mr B and Miss W about their mortgage application. This policy summary included details of some of the main things the policy didn't cover. It looks like there were several contacts over a number of months – and then LCM sent Mr B and Miss W an application form. This asks, among other things, 'have you visited a doctor in the last 12 months' – to which Mr B circled 'yes'. And details of Mr B's two medical conditions have been entered on the form.

But the application form doesn't explain there are important terms in the policy that Mr B and Miss W should check. And after receipt of the form, LCM sent Mr B and Miss W a quote for the MPPI, but this doesn't mention the medical exclusions in the policy. So I don't think LCM did enough to draw Mr B and Miss W's attention to these important terms.

I think this would've mattered to Mr B and Miss W – because of his medical conditions.

I say this because the terms of the policy say they won't pay out on a claim if 'your disability is caused by any pre-existing condition'. As I've mentioned above, Mr B had two different medical conditions. The first condition is noted on the application form as 'no ill effects' for a number of months before the policy was sold. For the second condition Mr B was due to have an operation in the future.

Because the first condition is noted as 'no ill effects' I don't know if this would've affected Mr B and Miss W's decision to take out the policy – but I think the second one would've done. Mr B was waiting for a medical operation. LCM say this was a minor and treatable condition which, once corrected with surgery, isn't an ongoing health concern. I accept this point is likely to be right sometimes, but Mr B still had to have an operation to correct it - and his condition could've worsened which could've kept him off work for some time. So I have to think about what Mr B would've done if he knew about this exclusion. He had an operation coming up and wouldn't know if it was going to be successful. So I think if he had known

about the exclusion – he wouldn't have taken out the policy, as it wouldn't have covered him for the issue he most likely needed to claim for.

LCM have said they asked Mr B and Miss W questions for a separate policy around this time and understood the second condition wasn't serious. But when asked, LCM haven't been able to give me any paperwork to show these conversations. I've not seen anything to doubt these conversations happened – but I don't know what questions Mr B and Miss W were asked – so I don't know if Mr B and Miss W were clearly asked about their health.

So, taking everything into account, I don't think Mr B and Miss W would've bought the policy if LCM had given them enough information about it. So, I think Mr B and Miss W have lost out because of what LCM did wrong.

I've taken into account LCM's comments, including what they said about Mr B and Miss W successfully making a claim for sickness under the policy. But I have to look at what I think Mr B and Miss W would've done if they'd been made aware of the medical exclusions when the policy was sold – and for the reasons I've given above I don't think they'd have bought it if the exclusions had been brought to their attention.

I've also thought about LCM's comments that Mr B and Miss W had a previous policy, so they knew how this kind of cover worked. But I don't think the existence of a previous policy means Mr B and Miss W should've known about these exclusions. So I still think I should uphold the complaint.

putting things right

LCM should put Mr B and Miss W in the position they'd be in now if they hadn't taken out PPI – and I can see Mr B and Miss W have previously received some refunds. So the policy should be cancelled, if it hasn't been cancelled already, and LCM should:

A - Pay Mr B and Miss W the amount they paid each month for the PPI.

B - Add simple interest to each payment from when they paid it until they get it back. The rate of interest is 8% a year. †

C - As Mr B and Miss W made a successful claim under the PPI policy, LCM can take off what Mr B and Miss W got for the claim from the amount LCM owes them. LCM can also deduct the refunds Mr B and Miss W have received from the amount LCM owe them.

D - LCM should tell Mr B and Miss W what they've done to work out A, B and C.

† HM Revenue & Customs requires LCM to take off tax from this interest. LCM must give Mr B and Miss W a certificate showing how much tax LCM have taken off if they ask for one.

my final decision

For the reasons I've explained, I uphold Mr B and Miss W's complaint.

London and Country Mortgages Ltd should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Miss W to accept or reject my decision before 23 January 2017.

Jon Pearce
ombudsman