

complaint

Mr B complains about a monthly mortgage payment protection insurance ("MPPI") policy sold to him by Nationwide Building Society whilst applying for a re-mortgage. Mr B approached Nationwide in February 2003. During this transaction accident, sickness and unemployment MPPI was added to his account. Mr B amended this cover to unemployment cover only in January 2006 but with the existing benefit level of the MPPI unaltered. He now complains on the basis that he was mis-sold the MPPI.

background

Nationwide upon receipt of Mr B's complaint conducted their own review of the sale. They decided to not uphold Mr B's concerns about the sale. Upon bringing his complaint to this service an adjudicator in Mr B's case ultimately decided to also not uphold Mr B's complaint. With the assistance of his representative Mr B has now asked for an ombudsman to provide a full review of the complaint particulars and to provide a final decision in relation to this matter.

my findings

I have included only a brief summary of the complaint above, but I have considered all of the available evidence and arguments from the outset in order to decide what is fair and reasonable in the circumstances. In doing so I have also taken into account the law and good industry practice at the time the policy was sold.

The key questions I will consider in this case are as follows:

- Whether Nationwide gave Mr B information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying.
- If Nationwide was giving advice or making a recommendation, whether it took adequate steps to ensure the product being recommended was suitable for Mr B's needs.

If there were shortcomings in the way in which Mr B was sold the policy, I will also consider whether he is worse off as a result; that is, would he have done something differently – such as not taken out the policy – if there had been no shortcomings.

I have decided to not uphold Mr B's complaint. I shall explain my reasons why.

basis of sale?

Nationwide and Mr B agree that this sale was conducted on a non-advised basis during a meeting with one of Nationwide's representatives. I have reviewed the documentation arising from this sale and I agree. This MPPI was sold on an information only basis. It was therefore for Mr B to ascertain for himself whether the MPPI met his needs based upon the information that Nationwide provided to him. Nationwide therefore had to ensure that the information they provided to Mr B was clear and fair.

did Mr B have a clear choice about the MPPI he was purchasing?

Mr B complains on the basis that it was never explained to him clearly that the policy was optional. I have been provided with the documentation from this sale and although I cannot say what was discussed during the meeting given the passage of time, I do have contemporaneous documentation to consider. From this it is clear that Mr B applied for a re-mortgage with Nationwide by completing an application form. This application form as would be expected covers personal details such as Mr B's age, employment situation and financial position. I can also see that at section nine of this form Mr B has selected the MPPI. This section states "Yes, I/we would like to protect my/our mortgage payments against accident, sickness and/or unemployment. Nationwide has provided me/us with sufficient information, including details of the main exclusions, to make a decision on the type and level of cover needed." On the same day as completing the mortgage application Mr B was provided with a Mortgage Product Confirmation Document. On this document I can see that Mr B has tailored his MPPI requirements. Mr B has selected accident, sickness and unemployment cover for a payment period of 12 months and a monthly benefit of £250 per month. Importantly this document also states "You have decided to proceed with Nationwide's MPPI which will be arranged as follows..." Mr B, I have seen, has signed both the re-mortgage application form and the Mortgage Product Confirmation Document. I am satisfied that conversations about the MPPI have taken place with Mr B and that he has selected the MPPI and indeed tailored his choice to fit his circumstances. Importantly nowhere on the application form and the Mortgage Product Confirmation Document is it mentioned that the MPPI is compulsory.

The subsequent mortgage offer sent to Mr B at the beginning of March 2003 also records the fact that MPPI has been selected and encloses a copy of his policy. I acknowledge that Mr B's first 12 months premiums were free and that the monthly premium for his MPPI was to be confirmed. Again, nowhere on this offer is it stated that the MPPI is compulsory or mandatory to secure the lending Mr B was applying for.

Although I cannot say with any certainty today what was discussed with Mr B, I am satisfied that conversations about MPPI have occurred at the point of sale and that Mr B has selected and tailored the MPPI. On this basis I cannot safely say that Mr B did not know about the MPPI and that Nationwide sold this policy as not optional. It is just as likely in my findings that it was sold to Mr B as an optional product.

did Nationwide provide Mr B with clear and fair information about the MPPI?

Mr B lived and worked in the UK and was employed and was aged between 18-65 at the point of sale. I am satisfied that he was eligible for the policy. I have also considered the policy's significant features and limitations and it appears that Mr B was not caught by any of the restrictions or limitations of the policy. He has told me he was in good health at the time of the sale so therefore would not be affected by terms which would preclude claims based upon pre-existing medical conditions for example. Mr B could therefore expect to benefit in full from the policy in the event of a need to claim.

I am persuaded that conversations about the MPPI took place as Mr B has selected the level of cover he required to protect his income. Nationwide say that a leaflet would have been provided to Mr B too about the policy features. The policy summary discloses the features of the policy, however I cannot be sure that he ever received or read this summary. Even if this policy summary was not disclosed or read by Mr B, I do not feel it would have had a bearing upon Mr B's decision in any event. He would not have been caught by any of the MPPI's

significant exclusions or limitations, so better information here would not have dissuaded him from choosing the cover.

Nevertheless, I cannot say for sure that Nationwide explained the costs of the MPPI to Mr B in a clear and fair way. I have noted on the application form that the cost of the policy is not disclosed and indeed the mortgage offer subsequently sent to Mr B is silent as to the policy's costs. The offer I note in fact states "*Your monthly premium would normally have been £TBA. However your first twelve months premiums will be free*". The MPPI leaflet I have been referred to by Nationwide explains the costs; however, I cannot say that Mr B ever received this document at the point of sale or that if he did that he read the contents of the leaflet. There is a real risk therefore of information failings in this sale in terms of explaining the policy's costs. However, before I can uphold a complaint I need to be able to say that a consumer has lost out as a result. That is to say that the information failings in this case have caused Mr B detriment. After careful consideration I cannot safely say in Mr B's case that if he was provided with the necessary information about the policy's costs and benefits in a clearer fashion, that he would have been dissuaded from purchasing this policy. I go on to explain why.

If the information was provided in a clear and fair fashion it would have simply revealed to Mr B that he was eligible for the cover, and based upon his circumstances at the time of the sale that he could expect to benefit in full from the protection the policy provided. Mr B's circumstances at the time also suggest that he had a need for MPPI despite his workplace benefits. Mr B initially did not tell us his workplace entitlements if he was unable to work due to accident or sickness. However following our adjudicator's assessment Mr B has told me that he would have been paid for "*upto 12 months*". I do not know if this was full pay or half pay or a combination of both. What I do know however is that the MPPI would have paid alongside any workplace entitlement and I am persuaded that as the only wage-earner with two dependents at the time of the sale the MPPI would have been of benefit to him despite his workplace provisions. The MPPI would have provided him with a selected monthly benefit of £250 for a period of 12 months. I acknowledge that Mr B's mortgage repayment as stated on his offer was approximately £200. The MPPI would therefore have repaid his mortgage commitment in the event of having to claim. In my findings Mr B may well have struggled to have met his mortgage repayments if he was unable to work, in saying this I note that Mr B has told me that he did not have any savings or other forms of financial protection at the time of sale. The MPPI in my findings would have provided welcome breathing space for Mr B and would have assisted if he was unable to work. The cost of the policy was competitive in the market place at the time at £12.47 after expiration of the 12 month free period, and in considering his circumstances, was not prohibitively expensive for him. I cannot say therefore that had he been provided with further information about the policy's costs and benefits he would have been put off this purchase in light of his circumstances at the time.

Ultimately, I find that Mr B was aware of the optional nature of the MPPI and selected it in light of his own appreciation of the financial undertaking he was committing to. He was eligible for the policy and appears to have been entitled to the benefit of the policy if the need to claim arose without being affected by the limitations or exclusions to the cover.

Even if the information was not disclosed I do not think it would've dissuaded Mr B from going ahead. If the information was provided fairly it would've simply revealed it was of some benefit to him, affordable and something that he was interested in at the time. Given that his circumstances also suggest that there was a need for MPPI I cannot safely say that he would not have purchased this policy if he was given all the information. As such although

there is a risk of information failings in this case I cannot conclude that Mr B would have done something different if the failings weren't present.

As a result of information failings in this sale I cannot safely say that Mr B has suffered any detriment from the MPPI product he purchased. It is just as likely, on a balance of probabilities, that even if the information was available he would not have been dissuaded from what it revealed to him. It follows therefore that the failings in this case have not caused Mr B any detriment.

I do not uphold his complaint on this sale.

further complaint points

Mr B has taken numerous further advances with Nationwide. I need not consider those where the MPPI has been refused by Mr B. However, I have been informed by Nationwide that a further advance was applied for by Mr B in October 2005. This borrowing was arranged to consolidate three previous advances made to Mr B during the intervening period between February 2003 and October 2005. I have seen the application form from this sale and the scanned copy is somewhat illegible. The MPPI section is particularly poor to read. Nationwide however have told me that Mr B has ticked in favour of the MPPI here and that no amendment was made to his level of cover he currently had in place at the time. I have been provided also with Mr B's instructions to amend his MPPI policy in January 2006 from accident, sickness and unemployment cover, to that of just providing unemployment cover solely, on the same deferred period and 12 month benefit period as selected in his 2003 purchase. The same monthly benefit of £250 remained in place. Nationwide acted upon Mr B's instructions and I can see that the insurance certificate issued to him in May 2006 now reflected his choice to have unemployment cover solely. I do not need to consider this amendment as Nationwide was simply acting upon Mr B's instructions and a separate policy was not sold in this regard.

Further borrowing has since taken place in November 2007 and August 2008 but having been supplied with those applications I am satisfied that Mr B has not taken out MPPI with this lending and has advised Nationwide in those applications that he was arranging MPPI/insurance for this borrowing elsewhere. As such there are no further sales here also for me to consider.

So in summary, I do not uphold this complaint for the reasons explained above.

my final decision

I do not uphold this complaint and I make no award against Nationwide Building Society.

Daniel Lucas
ombudsman