complaint

Mr and Mrs G complain that Bradford & Bingley Plc mis-sold them a mortgage endowment policy.

background

In 1999 Mr and Mrs G met with an advisor working for Bradford & Bingley. They wanted to move house and remortgage. Bradford & Bingley sold Mr and Mrs G a mortgage for around £75,000 on an interest only basis. It also sold Mr and Mrs G a unitised with-profit mortgage endowment policy with a target value of around £75,000. Both the interest only mortgage and the endowment policy were arranged over a 20 year term. The intention was that the mortgage endowment policy would repay the remortgage in full at maturity.

Mr and Mrs G started paying premiums into the policy in 2000 and surrendered it in 2002.

In 2013 Mr and Mrs G complained to Bradford & Bingley. In summary they said that Bradford & Bingley had:

- recommended they cancel their existing mortgage endowment policy before arranging a new policy;
- made them move their mortgage to a new lender on an interest only basis; and
- mis-sold them the new endowment policy.

Bradford & Bingley upheld the first part of Mr and Mrs G's complaint. It agreed that the advice to cancel their previous endowment may have been unsuitable. It paid compensation to Mr and Mrs G in September 2013. Mr and Mrs G accepted the compensation in full and final settlement of that part of their complaint. Bradford & Bingley didn't uphold the rest of their complaint.

In 2015 Mr and Mrs G complained again to Bradford & Bingley, and to the endowment policy provider. The policy provider directed their complaint back to Bradford & Bingley who'd sold the policy. In February 2015 Bradford & Bingley provided a further response to Mr and Mrs G's complaint. In it Bradford & Bingley gave Mr and Mrs G six months (from February 2015) to bring their complaint to us.

Mr and Mrs G chose to refer their complaint to us. But Bradford & Bingley was unhappy for us to look into the matter. It said:

- Mr and Mrs G had already accepted payment in settlement of part of their complaint; and
- The other issues were time-barred as they'd been brought to us more than six months after Bradford & Bingley's final response in 2013.

Bradford & Bingley has since dropped its time bar objection having been shown a copy of the fresh referral rights given to Mr and Mrs G in its February 2015 final response.

Mr and Mrs G's complaint about the advice given to cancel their pre-existing endowment policy was resolved in 2013. Our adjudicator considered the other parts of Mr and Mrs G's complaint. She didn't think that Bradford & Bingley had mis-sold the mortgage endowment policy to Mr and Mrs G.

Mr and Mrs G disagreed with the adjudicator's findings. In summary, they responded to say Bradford & Bingley has accepted other parts of the advice given in 1999 was wrong. It agreed that the advice to cancel their first policy was unsuitable. So they question how the sale of a second policy can have been the right advice.

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 first part of Mr and Mrs G's complaint concerns Bradford & Bingley's advice to cancel their existing endowment policy. I haven't looked into this part of their complaint as Mr and Mrs G have already received compensation from Bradford & Bingley in settlement of the matter. I have focused on the other two issues that Mr and Mrs G complain about.

was the mortgage endowment policy and mortgage sold by Bradford & Bingley in 1999 unsuitable for Mr and Mrs G?

When Mr and Mrs G met with Bradford & Bingley in 1999 they wanted to move house. The advisor completed a fact find. This is a detailed record of Mr and Mrs G's financial circumstances at the time. The advisor also sent Mr and Mrs G a "reasons why" letter after the meeting. This explained the advice given by Bradford & Bingley. I've carefully considered what Mr and Mrs G recollect from the meetings with Bradford & Bingley. And I've read all the written records from late 1999. Where there is disagreement about what happened, I've used the evidence to try to determine what I think happened on the balance of probabilities.

I can appreciate why Mr and Mrs G no longer trust the advice they were given in 1999. Bradford & Bingley has already agreed that its advisor shouldn't have recommended that they cancel their existing endowment policy when they decided to remortgage. It has paid compensation for this. But this doesn't necessarily mean that everything the advisor recommended was unsuitable for Mr and Mrs G's needs.

Mr and Mrs G already had an interest only mortgage for around £43,000 when they sought advice. And they had a pre-existing mortgage endowment policy for the same amount. Mr and Mrs G were sold a new interest only mortgage, with a different lender, for around £75,000. Alongside it they were sold a unitised with-profit endowment policy with a target value of £75,000.

The term of the new mortgage and the endowment policy matched. Mr and Mrs G had previously had an interest only mortgage and an endowment policy. It doesn't appear that Mr and Mrs G had been unhappy with their interest only mortgage, or their previous endowment before meeting with Bradford & Bingley. So, I'm not persuaded the sale of a further interest only mortgage and endowment was unsuitable at the time.

It took several months for the mortgage and endowment policy to have started in early 2000. Some delay would have been inevitable whilst Mr and Mrs G bought their new property. I think Mr and Mrs G had sufficient breathing space to decide not to go ahead with the products sold if they'd felt 'pushed' into the transaction by Bradford & Bingley.

The endowment policy sold to Mr and Mrs G was a unitised with-profits policy. Such policies were generally considered to be low risk at the time. The advisor had assessed Mr and Mrs G's risk profile as being low. Overall, I'm not persuaded that the policy sold was unsuitable for Mr and Mrs G's needs at the time.

Mr and Mrs G went on to surrender the policy after a short period of time. They're understandably unhappy that they paid significantly more in premiums than they received back as a surrender value. But there were warnings given to Mr and Mrs G when they took out the policy that it was a medium to long term investment. The warning was clearly given that *'if you cash in during the early years you could get back less than you have paid in'*. This is because deductions are made from the initial premiums to pay for the cost of life cover, expenses, charges and surrender penalties. I can understand why Mr and Mrs G feel this is unfair but this is how such an investment works.

I know my decision will come as a disappointment to Mr and Mrs G. But I don't consider the mortgage endowment policy and interest only mortgage sold to them in 1999 were unsuitable for their needs at the time.

my final decision

My final decision is that I don't uphold this complaint against Bradford & Bingley Plc. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs G to accept or reject my decision before 16 November 2015.

Emma Peters
ombudsman