Financial Ombudsman Service

complaint

Mr and Mrs L complain that National Westminster Bank Plc (NatWest) mis-sold them a mortgage payment protection insurance (MPPI) policy with their mortgage.

background

In 2007 Mr and Mrs L applied for a mortgage with NatWest. At the same time they were sold a joint MPPI policy to protect their mortgage payments if they were unable to work due to accident or sickness.

Our adjudicator thought that the policy was presented as optional and thought that it would've provided a useful benefit.

Mr and Mrs L disagreed. They say they thought the mortgage wouldn't have been approved unless they took the policy and that they didn't need it.

So their complaint has come to me for a decision.

my findings

I have considered all the available evidence and arguments to decide 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 this case.

I've decided not to uphold Mr and Mrs L's complaint.

NatWest had to make it clear to Mr and Mrs L that they had a choice in taking out the policy. The sale took place over the phone. Mr and Mrs L say they thought they wouldn't get the mortgage if they didn't take the policy. They haven't given us much detail about what was said by the sales adviser during the phone call to make them think this. And NatWest haven't been able to give us a copy of the call recording. So I've relied more on what the documents from the time show.

NatWest have given us a copy of the mortgage pack documents which were sent out to Mr and Mrs L. The covering letter asks them to do three things including:

- read "through the enclosed Mortgage pack. In particular, your "Key Facts Illustration" contains all of the important facts about your mortgage so it is crucial that you read this carefully…".

- And asks Mr and Mrs L to sign and return various forms including "Giving Your Agreement" form and the "Mortgage Repayment Protector direct debit instruction".

I can see on the key facts illustration in the section that covers insurance it says in bond "Insurance you must take out through National Westminster Home Loans Ltd" under which it says "none". It then says "Optional insurance that you do not have to take out through National Westminster Home Loans Ltd" and shows MPPI selected and the monthly premium.

So I think that NatWest did present the MPPI as optional and separate from the mortgage.

NatWest have given us a copy of the giving your agreement form and MPPI direct debit instruction which Mr and Mrs L signed. So I think because they followed the instructions within the cover letter asking them to sign and return these forms it's likely they would've read the key facts document as instructed as well and understood the MPPI was optional. And by signing and returning the forms they agreed to take out the MPPI.

Mr and Mrs L say they were advised to take out the MPPI. NatWest say they are confident no advice was given. I don't know what was said during the phone call by the sales adviser so to be fair I am going to treat the sale as if it was an advised sale.

What this means is that NatWest not only had to provide information about MPPI in a clear, fair and not misleading way so that Mr and Mrs L could make an informed choice about buying MPPI. It also had to make sure that if it were to recommend MPPI that the policy was suitable to their needs and circumstances.

I don't know if NatWest did take all the steps it should've. But I think the policy was a suitable recommendation for Mr and Mrs L for the following reasons:

- They were both eligible for cover and it doesn't look like they would've been caught by any of the main exclusions in the terms and conditions of the policy which could've made it difficult to make a successful claim.

- At the time of the sale Mr and Mrs L say they were entitled to a good level of sick pay and had life insurance in place. But the policy would've paid out on top of any work benefits and other insurance in place and covered them for up to 12 months per claim if there were unable to work due to accident or sickness.

  So I think the policy would've provided a useful benefit to Mr and Mrs L in their circumstances especially considering they were taking on a significant and long term financial commitment. Given the implications if they were unable to meet their repayments and their circumstances at the time, I think they would've been interested in protecting them.

- There was nothing to suggest that the policy wasn't affordable to them at the time. And if Mr and Mrs L decided they no longer wanted the policy they could cancel it.

I also need to consider whether NatWest gave Mr and Mrs L information in a way which was clear, fair and not misleading so that they could make a proper choice about whether or not they wanted to take the policy out.

I don't know how much detail the adviser went into during the sale or how things were explained to Mr and Mrs L. But even if there were problems with the information and advice, for the same reasons that the policy was suitable and based on what Mr and Mrs L have told us about their circumstances at the time, I think they would've still taken out the MPPI policy given the proper information.

This means Mr and Mrs L aren't worse off as a result of any wrong doing by NatWest.

my final decision

For the reasons I've explained, I do not uphold Mr and Mrs L's complaint against National Westminster Bank Plc.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs L to accept or reject my decision before 8 February 2016.

Caroline Davies
ombudsman