

complaint

Mr and Mrs B's complaint is that Mr B couldn't make an unemployment claim on a mortgage payment protection insurance ('MPPI') policy because the policy had been cancelled due to Nationwide Building Society ('Nationwide') asking the insurer to do so, without Mr and Mrs B's knowledge.

background

Mr B took out a MPPI policy in December 2003 to protect his mortgage repayments in case he couldn't work because of accident, sickness or involuntary unemployment.

In May 2013 Mr B made an unemployment claim and the policy insurer accepted the claim. Mr B received unemployment benefits until December 2013 when he returned to work. In December 2013 Mr and Mrs B moved house and 'ported' their mortgage with Nationwide to their new property. Mr and Mrs B say that Nationwide told the insurer to cancel their MPPI at this time, without their knowledge.

When Mr B's new employment ended in early April 2014 he tried to make a new unemployment claim under the MPPI. The policy insurer first told Mr B that his claim could be treated as a continuation of his previous period of unemployment, but later the policy insurer told Mr B that it was unable to process his claim because his cover had been cancelled at the beginning of January 2014. Mr B said he didn't know anything about the policy being cancelled.

Mr B contacted Nationwide to complain about the policy having been cancelled and the fact that he couldn't make a new unemployment claim. Nationwide said that its mortgage consultant in October and November 2013 had discussed with Mr and Mrs B porting their mortgage and the point that moving to a new property would mean the MPPI policy would end. Nationwide said that its records showed that Mr and Mrs B and the Nationwide mortgage consultant had then discussed alternatives, but that Mr and Mrs B decided not to take out new cover.

Mr and Mrs B were not happy with Nationwide's response to their complaint and so they referred the complaint to us. Our adjudicator investigated the complaint and ultimately concluded that Nationwide had likely not acted fairly and reasonably when notifying the policy insurer to cancel the MPPI policy. He recommended that Mr and Mrs B's complaint against Nationwide be upheld.

Nationwide did not accept this assessment and asked for the complaint to be referred to an ombudsman for a final decision.

my findings

I have considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Nationwide says that at the time of Mr and Mrs B moving to their new home, the Nationwide mortgage consultant had explained to them that the MPPI policy would end when their previous mortgage was redeemed. Nationwide says that its consultant also recalls that he told Mr and Mrs B that Nationwide no longer sold the type of MPPI policy which they had. According to Nationwide Mr B was claiming Disability Living Allowance ('DLA'), was not

working at the time the mortgage was ported, and had not previously claimed under the MPPI policy. The consultant recalls that Mr and Mrs B had retired and although alternatives to the MPPI were discussed they did not proceed with any.

A mortgage application summary dated November 2013, provided by Nationwide (not signed by Mr and Mrs B), records Mr and Mrs B's employment status as 'retired'. But this is at odds with what Mr B has told us. Mr B says he was actively seeking work in November 2013 and in fact that he was able to return to work in December 2013.

Mr B was also receiving unemployment benefits under the MPPI until he started working in mid December 2013 – whereas the Nationwide consultant's recollection is that Mr B had not claimed under the MPPI. Mr B was already claiming on the policy, so it does not seem to me likely that he said to the consultant that he had not claimed, or that they would not continue to want to have the policy or alternative cover – especially as Mr B did not know then when he would be returning to work.

Mr B has told us that Nationwide never explained to Mr and Mrs B that the policy would be cancelled when they ported their mortgage. He also says that he wasn't receiving DLA (his wife was), although he was claiming at the time and receiving policy benefits for unemployment. Mr B says that he did receive a notification from Nationwide about the renewal of the MPPI in November 2013 for the period January 2014 to December 2014, and so assumed the policy was still in force. Mr and Mrs B moved into their new house in mid December 2013, and from the information we have it seems likely that Mr B received a benefit payment while in the new home.

Taking all of the above into account, and having carefully considered what Nationwide and Mr B have said, it seems to me in the circumstances here that Mr B's account of the discussions with Nationwide at the time he and his wife ported their mortgage and moved house is more likely to be accurate. I also note that Nationwide has said that the MPPI insurer would have sent Mr B a cancellation notice when his MPPI was cancelled. We contacted the insurer for confirmation of this, but the insurer said it did not send a cancellation letter to Mr B, and that Nationwide would have done this. Without this cancellation letter and with having received a renewal letter I can see why Mr and Mrs B did not know that the policy had been cancelled when Mr B tried to make a new claim under the policy in April 2014. So although Nationwide has said the policy was cancelled, effective January 2014, it seems unlikely Mr and Mrs B would have known this. Mr and Mrs B say that Nationwide gave them the impression the policy would continue when they ported their mortgage. Given that Mr and Mrs B would have been reliant on the information given to them by Nationwide when they ported their mortgage, I consider that Nationwide should have taken extra care to make sure they understood what porting their mortgage meant, and that this didn't mean the same mortgage continued such that the MPPI policy would continue.

Although this is not a straightforward complaint to decide, on balance I consider that in April 2014 when Mr B went to make a new claim on the policy, he had a reasonable expectation that the MPPI was still in force and had not been cancelled when he and Mrs B ported their mortgage a few months earlier. It follows that I conclude that Mr and Mrs B's complaint about Nationwide should be upheld.

my final decision

My decision is that I uphold Mr and Mrs B's complaint against Nationwide Building Society. I require Nationwide Building Society to assess Mr B's unemployment claim in April 2014, as

if the policy was still in force,; and if his claim is valid under the policy terms, to pay Mr B unemployment benefit and interest on it for the period that he had a valid claim (less the policy premiums for the period since the policy was cancelled up until the end of the claim period). Nationwide Building Society should also pay Mr B £200 for the trouble and upset it has caused him, and this is to be paid regardless of whether or not he had a valid unemployment claim under the terms of the policy.

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

Claire O'Connor
ombudsman