

complaint

Mrs H has complained (and on behalf of the estate of Mr H) that The Mortgage Matters Partnership ('Mortgage Matters') mis-sold her a payment protection insurance ('PPI') policy.

background

I issued my provisional decision on 3 August 2018. A copy of my provisional decision is attached and forms part of this final decision.

My provisional decision sets out the background to this complaint. It explains why I think the complaint should be upheld and what I think Mortgage Matters should pay to put things right.

Both parties have confirmed receiving my provisional decision. Mrs H accepted my provisional findings.

Neither party has provided me with anything further to consider.

my findings

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

As neither party has given me anything else to consider, I see no reason to depart from my provisional findings. So I now confirm those findings.

putting things right

I've recalculated what Mortgage Matters owe Mrs H to take into account the additional time Mrs H has been out of pocket.

In total, Mortgage Matters should pay £853 as it stands at the date of this decision.

my final decision

For the reasons I've explained above and in my provisional decision, The Mortgage Matters Partnership should pay £853 (before tax) as it stands at the date of this decision. After tax, it should pay £788.06 to Mrs H and £64.94 to HM Revenue & Customs.

If Mrs H accepts my final decision, it will be legally binding on both sides. The Mortgage Matters Partnership must then pay Mrs H promptly and no later than 28 days after the date Mrs H accepts this decision – should she wish to do so. After 28 days, it should add 8% simple interest per year for every extra day until the compensation is paid. This will be £0.12 per day before tax – so £0.09 per day should be paid to Mrs H and £0.03 should be passed to HM Revenue & Customs.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 7 October 2018.

Matthew Horner
ombudsman

Copy of Provisional Decision

complaint

Mrs H has complained (and on behalf of the estate of Mr H) that The Mortgage Matters Partnership (“Mortgage Matters”) mis-sold her a payment protection insurance (“PPI”) policy.

background

Mrs H re-mortgaged her home in 2006. An advisor from Mortgage Matters was the broker and he sold them a PPI policy at the same time. The policy initially covered Mrs H for one year – which was amended to 10 months due to Mrs H being close to retirement age. It covered Mrs H if she was unable to work because of an accident or sickness or lost her job. And it would’ve paid her a fixed amount of £500 per month, for up to 10 months for each claim.

Mrs H borrowed an extra £425 to pay for the policy. The type of policy that Mrs H was sold is called a single premium PPI policy – and Mrs H had to pay interest on the extra she borrowed.

The cost of the policy was initially £510 – but this was the cost of the policy for 12 months. It was amended to £425 to reflect that the cover was for only 10 months – given Mrs H being close to retirement age. Mortgage Matters has said that £85 was returned to Mrs H by cheque, in July 2006.

Mrs H says the policy was mis-sold. Our adjudicator looked at this complaint and thought it should be upheld.

The adjudicator recommended that Mortgage Matters put Mrs H in the position she would’ve been in had she not bought the single premium policy.

Mortgage Matters responded agreeing to our adjudicator’s opinion.

Mortgage Matters worked out what it thought Mrs H was owed in PPI compensation. Mrs H’s representative thought it was wrong and should be higher. Mrs H’s representative also explained that Mortgage Matters had offered to pay the compensation in instalments. It said that this wasn’t fair and Mrs H’s compensation should be paid as one lump sum.

As the matter hasn’t been resolved it’s been passed to me to make a final decision.

my provisional findings

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

Mortgage Matters has agreed with our adjudicator’s opinion that the policy was mis-sold. And it agreed to place Mrs H in the position as if she had never taken out the PPI.

Having looked at how Mortgage Matters has worked out Mrs H’s compensation, I don’t think it is right. So I’ve worked out what Mortgage Matters need to do to put things right.

Mortgage Matters also wanted to pay Mrs H’s PPI compensation in instalments. I don’t think that would be appropriate. It’s important that, *ultimately*, this decision brings finality to this complaint – and I don’t think it will bring finality if I were to say Mortgage Matters could pay in instalments.

In regards to the cost of the policy, I'm satisfied that the policy was amended to £425 due to Mrs H age at the time of sale. The schedule of insurance was dated 12 July 2006 and listed the cost of the policy as £425 starting on 4 July 2006, running to 3 May 2007. I appreciate that Mrs H may not have remembered receiving a cheque of £85 back in 2006. But that's understandable given the time that has passed. Overall I think it's most likely that the policy was amended to £425, and a cheque for £85 was issued to Mrs H.

So based on the policy costing £425, what do Mortgage Matters need to do to put things right?

putting things right

For the reasons I've explained above, Mortgage Matters needs to put Mrs H in the position she'd be in now if it hadn't sold her any PPI.

The PPI policy schedule shows Mrs H borrowed an extra £425 to pay for the PPI policy.¹

The lender tells us the mortgage was repaid in full and redeemed on 1 June 2015. I've worked out that between July 2006 and June 2015 Mrs H paid an extra £528.32 because of the extra she'd borrowed.²

So I think Mortgage Matters should:

- Refund the extra Mrs H has paid towards the PPI policy.

As I've explained above, I've worked this out to be £528.32.

- Pay simple interest on a yearly basis on the extra Mrs H has paid each month. The rate of interest is 8% a year.³

I've worked this out to be £320.63. HM Revenue & Customs requires Mortgage Matters to take off tax from this interest. So Mortgage Matters needs to pay Mrs H £256.50 and HMRC £64.13.

If Mrs H made a successful claim on the policy, Mortgage Matters can take off what she got for the claim from the amount it owes her. Mrs H should therefore let me know if she made a claim on the policy in her reply to this provisional decision.

If either The Mortgage Matters Partnership or Mrs H has more accurate information about what happened with the mortgage they can let me know and I'll use this information to recalculate the compensation due.

my provisional decision

Taking account of everything I've seen so far, I am currently of the opinion that Mrs H's complaint should be upheld.

For these reasons, my provisional decision is that The Mortgage Matters Partnership needs to pay £848.95 before tax as it stands at the date of this provisional decision. After tax it should pay £784.82 to Mrs H and £64.13 to HM Revenue & Customs.

Matthew Horner
ombudsman

¹ The policy application form says the cost of the single premium policy was the monthly premium

multiplied by the number of months. The policy cost £425 over 10 months. This is £42.50 a month.

² The lender told us Mrs H borrowed the money over 9 years, and the interest rate was fixed at 4.99% until 1 May 2011. The interest rate then changed to 4.79% until 1 August 2013, when it changed to 4.54% until the end of the mortgage. I've used these interest rates to work out what Mrs H paid each month because of PPI. So I think Mrs H has paid £528.32 towards the July 2006 mortgage because of PPI: £103.32 in interest and £425 towards the extra she borrowed.

³ Simple interest is calculated by multiplying each payment by the daily interest rate (8% divided by 365) and then by the number of days since each payment was made. I've worked out the payments were £6.52 in August 2006, £4.89 a month from September 2006 to May 2011, £4.96 a month from June 2011 to May 2015, and £4.99 in June 2015.