complaint

Mr M complains that Bank of Scotland plc trading as Halifax ("Halifax") mis-sold him a mortgage payment protection insurance ("MPPI") policy.

background

Mr M applied for a mortgage in a branch in 2004.

Our adjudicator looked at Mr M's complaint and didn't think it should be upheld. He thought that the policy hadn't been mis-sold.

Mr M didn't agree with our adjudicator's assessment so the complaint has been passed to me to consider.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've explained our approach to complaints about PPI on our website, and I've used this approach in this case.

Having looked at all the evidence, I've decided not to uphold Mr M's complaint and I'll explain the reasons for this.

First of all, I've considered the rules on who could take the policy, and Mr M met those rules.

Next, I've looked at whether Halifax explained that the policy was optional. Mr M has told us that he thinks the MPPI wasn't discussed. He thinks that it was probably put to him that it was part of the mortgage.

As this sale took place at a meeting, and as there's no recording or transcript, I can't know exactly what was said. I accept that it is possible that Halifax's adviser told him that he had to take out the MPPI, or that it was put through as part of a package with the mortgage. But based on what we know about how these sales were conducted, I think it's unlikely.

In addition, the documentation from the time of the sale makes me think it's most likely that Mr M was made aware that he didn't have to take out the policy. I've been provided with a copy of the "Personalised Illustration" document. It set out various features of the mortgage. It also mentioned the MPPI. I note that it called the policy "optional." Also, under the heading "Insurance," there is the following statement; "You do not need to buy any insurance through Halifax plc." Based on this evidence, it seems most likely that Mr M understood that he had a choice.

Next I've considered the fact that Halifax recommended the MPPI to Mr M. This meant they had to make sure the policy was suitable, as well as giving Mr M the information he needed to decide whether to take it out.

Looking at suitability, I've checked the policy for significant exclusions and restrictions, for example exclusions about pre-existing medical conditions or unusual employment terms. But nothing in Mr M's circumstances leads me to think he would have been affected by any of these. In addition the policy appears to have been affordable for him.

Mr M has told us that he thinks the MPPI was wrong for him. He's told us that he was in a relatively secure job and would have received six to twelve months of sick pay from his employer. He also told us that at the time of the sale he had savings worth between six and twelve months of his pay.

In some circumstances this level of sick pay might suggest that Mr M didn't need MPPI to protect his repayments if he was off work sick. And if he was made unemployed he could have used his savings. But it doesn't automatically follow that the MPPI wasn't a suitable policy for him. The MPPI allowed him to use any sick pay for other necessary household expenses and to protect his savings. Mr M's house could have been at risk if he failed to meet his repayments. The MPPI would have paid out above and beyond other resources giving him a safety net that would have been helpful to him. That makes me think that he could have been interested in protecting his mortgage repayments with MPPI.

It's possible that Halifax didn't give Mr M clear enough information about the cost, benefit or main exclusions and restrictions of the policy. But I'm satisfied that the policy could have provided a useful benefit to him at a reasonable cost. On balance I don't think having better information would have changed Mr M's mind and put him off the MPPI.

For these reasons I don't think that the policy was mis-sold.

my final decision

I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr M to accept or reject my decision before 15 February 2016.

Katrina Hyde
ombudsman