

complaint

Mr C complains about a debt on his mortgage account as a result of payments being taken by Nationwide Building Society to cover the monthly premiums for his contents insurance policy.

background

Mr C had a mortgage account with Nationwide as well as a home insurance policy. The monthly premium for the insurance policy was charged to his mortgage account, and he had a direct debit set up to collect an amount equivalent to this from his bank account to be paid into his mortgage account.

Then in September 2011, Mr C cleared his mortgage account, but left a nominal amount of £1 so that Nationwide kept safe custody of his property's title deeds. Therefore the mortgage account remained open.

Nationwide continued to collect Mr C's insurance premiums from his mortgage account; however the direct debit from his bank account had been cancelled. It is not known whether Mr C or Nationwide cancelled the direct debit.

In 2013, Mr C complained to Nationwide after he noticed that his mortgage account was overdrawn because of the insurance premiums. He said that when he cleared his mortgage account in 2011, he was not told that the insurance premiums would continue to be collected from his mortgage account. He thought that Nationwide should write off the debt.

Nationwide did not uphold the complaint. It thought that Mr C had been given sufficient notice that insurance premiums would still be collected from him each month. However it noted that Mr C had said three other mortgage accounts had not been closed down properly – the branch's mortgage consultants could not recall Mr C asking to do this, but Nationwide offered Mr C £50 compensation for any inconvenience and closed the accounts. Unhappy with Nationwide's response, Mr C brought a complaint to this service about the collection of his insurance premiums from his mortgage account.

Our adjudicator upheld the complaint in part. He noted that Nationwide sent Mr C annual mortgage statements which confirmed there was a debt on the mortgage account because of the insurance premiums taken. He thought that this should have alerted Mr C to the debt and, if he had checked his bank statements, he would have noticed that the direct debit he previously had in place to cover his insurance premiums was no longer being collected. However, the adjudicator noticed that the first annual mortgage statement alerting Mr C of the debt was not sent to him until January 2012 – at that point, three insurance premiums had been collected. He recommended that Nationwide write off these three premiums.

Nationwide agreed with the adjudicator's recommendations, but Mr C did not. The matter has therefore been passed to me to consider afresh.

my findings

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

The issue for me to determine is whether Nationwide has acted reasonably in collecting Mr C's premiums from his mortgage account and allowing debt to build up in the account.

Mr C has a slightly unusual arrangement with Nationwide as his insurance premiums are collected from his mortgage account, rather than directly from his bank account. It is for this reason that the debt has been allowed to build up in Mr C's mortgage account and yet the policy still remain in place. When an insurer collects insurance premiums directly from a bank account (and for whatever reason, the premiums are not paid), the insurer will usually cancel the insurance policy after giving reasonable notice to the policyholder - therefore a debt cannot accrue. That being said, Mr C was aware of the arrangement to have the premiums collected from his mortgage account, which I understand had been in place for many years.

It is apparent that Mr C wanted and understood that he held the insurance cover. The policy renewed each year and Nationwide sent him renewal documentation with a copy of his insurance schedule which confirmed the monthly premium. It seems to me that as Mr C no longer had a monthly direct debit in place to collect an amount equivalent to his insurance premiums - it would not be unreasonable to expect him to question how the insurance premiums were being paid.

In any event, I am satisfied that the annual mortgage statements sent to Mr C by Nationwide would have made him aware that his insurance premiums were being collected from his mortgage account, and that his closing balance each year was significantly higher than the £1 which he would have presumably been expecting.

This being the case, whilst I accept it would have been helpful if Nationwide had sent Mr C arrears letters, overall I am satisfied from the available documentation that he would have been aware of the situation. Mr C has been unclear about whether or not he received his annual mortgage statements, and says there is an ongoing issue with delivery of post in his local area. However, Nationwide says that it did not receive any returned post for Mr C. Overall, as Nationwide sent the letters to the correct address, I cannot hold it responsible for any postal issues that may have prevented the letters reaching Mr C.

A further point I would make is that whilst I have acknowledged that Mr C had a slightly unusual arrangement with Nationwide concerning the collection of his insurance premiums, it remains the case that his insurance premiums *were* actually being paid (albeit from an overdrawn account). Therefore in the event of a claim, I would have expected Nationwide to honour the policy terms. It follows that Mr C has had the benefit of the policy, even though he did not have cause to make a claim.

I therefore find that it would be unreasonable for Nationwide to write off the debt on Mr C's mortgage account. I agree with the adjudicator that as Mr C may not have known of the debt until his January 2012 mortgage statement was sent to him, then it would be reasonable for Nationwide to write off three months' of premiums, and I am pleased it has agreed to do this. I am also pleased that Nationwide has agreed to arrange a suitable payment plan with Mr C to allow him to pay the remaining debt.

I note that Nationwide has previously offered Mr C compensation of £50 for any inconvenience caused to him. I understand that this offer remains open, therefore if Mr C wishes to accept it, he should contact Nationwide directly.

my final decision

For the reasons set out above, my final decision is that I uphold this complaint in part. I require Nationwide Building Society to write off an amount equivalent to three months' premiums from Mr C's mortgage account. I make no further award against Nationwide Building Society.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr C to accept or reject my decision before 2 March 2015.

Chantelle Hurn
ombudsman