

complaint

Mr and Mrs C complain that they were mis-sold a term assurance policy by HSBC Bank Plc.

background

In late 2001 Mr and Mrs C met with an HSBC adviser to arrange a loan for the purchase of an overseas holiday home. They had already secured a mortgage for £66,000 from an overseas bank and required an additional £40,000.

They were advised to take out an equity release loan against their main home in the UK over a 10-year term. The adviser also recommended Mr and Mrs C take out a decreasing term assurance to protect both the equity release loan and the overseas mortgage debt. The policy term was for 15 years to cover the term of the overseas debt.

In early 2015, Mr and Mrs C found out it already had cover provided by the overseas bank for that part of their debt and so cancelled the HSBC policy.

The adjudicator who investigated felt the complaint should not be upheld. In summary she said that life cover was a prudent form of protection, and the HSBC adviser would not have known about the existing cover.

Mr and Mrs C disagreed. They felt the adviser should have asked more questions and been more diligent in identifying the existing overseas policy. They also commented that they understand it would be illegal to have two policies and claim against both.

As no agreement could be reached, I've been asked to review the complaint.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I've reached the same conclusion as the adjudicator and for much the same reasons.

I realise Mr and Mrs C will likely be disappointed with my decision, but I've carried out a fresh and independent review and reached what I consider to be a fair and reasonable outcome in the circumstances.

I think it's sensible to explain that it's not illegal or uncommon to hold two or more life cover policies. Whilst I understand their point, life cover is different to insurance for a fixed value asset such as a car. Whilst the intended purpose of the policies was to enable you to clear any mortgage debt in the event of death, they do not have to be used in that way.

It's Mr and Mrs C's lives which were insured, and one or more policies for any amount can be taken out to pay a lump sum in the event of death. Although the proceeds of a claim could enable a mortgage debt to be cleared, the money can be used for any purpose by the beneficiary.

In situations where a mortgage is repaid early, often life cover policies are continued by a policyholder in order to provide general family protection.

So in fact both policies would have been legal, valid and paid out in the event of an appropriate claim against them. Whilst I understand Mr and Mrs C's frustrations at paying for a cost they feel to have been unnecessary, I cannot say the cover was of no value.

I feel the crux of the matter relates to whether or not the HSBC adviser should have been aware of the existing overseas cover and taken that into account. It's difficult to know exactly what was discussed at a meeting nearly 14 years ago. I've taken account of the documents from the time and the recollection provided by both parties. Where there is uncertainty I'm required to decide what I think most likely to have happened.

The HSBC adviser completed a fact find before making his recommendation. Within that document it recorded details of existing protection policies held by Mr and Mrs C. There was no mention of any life cover for the overseas mortgage, but they say that the adviser never asked them about that.

The fact that details of other protection policies were recorded would suggest to me that there was likely to have been a general discussion about what life cover Mr and Mrs C held. I can't be sure that any overseas policies were asked about, but I note it was clearly recorded that the new recommendation was intended to protect both the UK equity release loan, and the overseas mortgage. The documents confirm that Mr and Mrs C wanted a single policy to protect both debts, as it was cheaper than two separate policies. I feel this would have given them the opportunity to query the cover if they felt it duplicated an existing policy.

I also note that in their complaint Mr and Mrs C say they cancelled the HSBC policy in 2015 when they became aware of their existing overseas cover. This persuades me that perhaps they were unable to inform the HSBC adviser of the policy at the time of sale. He was only able to base his recommendations upon the information available to him at that time.

Overall, I've seen nothing to confirm that HSBC has done anything wrong in this instance, and so it wouldn't be fair and reasonable to uphold the complaint now, when the cover had been provided for so many years in good faith.

my final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs C to accept or reject my decision before 30 December 2015.

Ross Hammond
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