

complaint

Mr and Mrs K are complaining about Santander UK Plc because it encouraged them to make changes to their mortgage arrangements rather than cancel their life insurance policy. They feel Santander stood to lose out if the policy was cancelled shortly after it started and was trying to “*protect*” its own interests. Because of the changes to their mortgage, they also say the policy is no longer fit for the purpose they originally took it out.

background

Mr and Mrs K arranged their mortgage in 2006 on a capital repayment basis. At the same time, they took out a decreasing term life insurance policy designed to repay the debt if they died before the end of the term. The cover provided by the policy was set to reduce during the term as they were paying off the debt. Mr and Mrs K have told us they cancelled the policy recently.

In 2008, Mr and Mrs K say they contacted Santander to cancel the life policy and save money. Instead, they ended up taking a further advance on their mortgage, at least part of which I understand was used to consolidate existing debt. The further advance was set up on an interest-only basis. At the same time, the basis of Mr and Mrs K’s main mortgage was also converted to interest-only. No changes were made to the life policy.

Our adjudicator didn’t recommend the complaint be upheld. In particular, he didn’t think there was enough evidence to show Santander discouraged Mr and Mrs K from cancelling their policy against their best interests.

Mr and Mrs K didn’t accept the adjudicator’s assessment and asked for their case to be reviewed.

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 agree with the adjudicator’s conclusions for much the same reasons. I’m not upholding it.

I’ve read Mr and Mrs K’s submissions carefully, but I haven’t tried to address every single point in this decision. Instead, I’ve concentrated on the issues I think are central to the outcome.

Unfortunately, Santander doesn’t have recordings or other detailed records of the conversation between its representative and Mr and Mrs K in 2008. I’ve taken note of Mr and Mrs K’s recollections of what was discussed. But without additional evidence to support their account, I don’t think their comments alone are enough for me to uphold their complaint on the basis it’s been presented.

From the information provided, it appears Mr and Mrs K were in a situation where they had some existing loan and credit card debt and wanted to reduce their outgoings. Cancelling their life insurance policy would certainly have been one way of achieving that. But I think arranging a further advance on their mortgage to consolidate their debt was potentially an equally valid option.

Although the interest rate on the further advance hasn't been what Mr and Mrs K initially thought it would be, a mortgage lender's standard variable rate is still normally lower than interest rates on other forms of personal debt, particularly credit cards. So I think it would have been reasonable for Santander's representative to suggest this as a possible alternative for Mr and Mrs K to achieve their objective.

There's nothing in the available documentary evidence to show Santander gave advice on Mr and Mrs K's life insurance policy and there was no particular requirement for it to do so when they were rearranging their mortgage.

The policy provided decreasing cover and once the mortgage was rearranged, the amount was less than their outstanding mortgage debt. I do appreciate why they no longer felt it was fit for purpose. But I don't necessarily agree. It still provided some cover and I think it would be difficult to argue the survivor wouldn't have benefitted from a lump sum payment, even if it wasn't enough to fully repay the mortgage debt, on either of their deaths.

It would have been possible to change Mr and Mrs K's life cover arrangements to cover the mortgage in full. But that would have meant increasing the amount of cover and changing to a level basis and put up the monthly cost, which wouldn't have met their main objective.

I can't know exactly what motivated Santander's representative at the time, but I don't think it's likely any proposal to rearrange their mortgage was driven by a desire not to lose money from the original life policy being cancelled. If the aim was to generate maximum reward for the bank and/or adviser, the representative would have had more to gain by encouraging Mr and Mrs K to cancel the original policy and take a more expensive replacement.

I realise this decision isn't what Mr and Mrs K were hoping for and that they're currently facing a difficult situation. But in terms of the issues they've raised that concern their life insurance policy, I don't think the evidence shows Santander acted against their best interests or otherwise did anything wrong.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs K to accept or reject my decision before 19 June 2017.

Jim Biles
ombudsman