

complaint

Miss S complains that Furness Building Society (FBS) mis-sold her a payment protection insurance (PPI) policy alongside a mortgage in 1999.

background

Miss S took out a mortgage in 1999. At the same time she took out a PPI policy. This policy covered her for unemployment only and was free for the first 12 months after which the policy cost £7.54 and would have paid the monthly benefit of £220 if she lost her job for 12 months at a time per successful claim.

Miss S says she didn't understand that the cover would be automatically renewed.

Our adjudicator didn't think this complaint should be upheld. Miss S disagreed with this view and asked that an ombudsman look again at her complaint and make a final decision.

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 set out our general approach to complaints about the sale of PPI on our website and I've taken this into account in deciding this case.

I've decided not to uphold Miss S's complaint. I will explain why.

FBS had to make it clear that Miss S had a fair choice about buying the policy. So the first thing I've thought about is whether Miss S knew the policy was optional. The insurance was free for the first 12 months and then the policy was automatically renewed unless Miss S wrote to FBS to cancel the cover. I've thought carefully about this. Whilst I don't know what was said to Miss S when she first took out the PPI, FBS has been able to provide some of the paperwork from the time.

FBS has sent a signed mortgage offer. There is a section about the PPI. Its headed 'Free unemployment (+optional extras)' and it sets out the monthly benefit of this cover. The special conditions of the offer state that the "cover will be provided free of charge for the first 12 months of the mortgage." And it goes on to state that "Unless the society receives written advice to the contrary, cover will be continued at the end of the 12 month period and you will be advised of the premium at that time."

FBS has also provided a copy of the completed mortgage application form. At section J under the heading 'Insurance' it explains that unemployment insurance is provided free for the first 12 months after which a premium will be payable. There is a place to sign this section if Miss S wanted to extend her cover to include accident and sickness as well as the unemployment cover. Miss S has not signed this section. This indicates that she wanted to protect herself in case she lost her job but that she didn't want to receive the key features document with details about extending her cover.

FBS has also provided an example copy of the policy registration form which Miss S would have needed to complete and return along with the signed mortgage offer if she wanted the free cover. There is space to tick no if she didn't want it and places to opt for the type of cover she wanted and the level of cover.

I can see FBS wrote to Miss S in October 2000 confirming the free period was at an end and detailing the new monthly payments. And it stated that if she didn't want to continue with the cover she should cancel the policy in writing. I think Miss S could have questioned it if she was unsure about the policy and I think she could have written to FBS if she didn't want the policy. I haven't seen that she did so. Overall, taking the paperwork into account there's nothing to make me think Miss S had to take out the insurance to secure her mortgage. And I think she made a choice about taking the unemployment only cover not the accident and sickness cover knowing she could decline it if she didn't want it.

I don't think FBS advised Miss S to buy the policy. There's nothing to make me think a tailored recommendation was made to her about the PPI. That meant FBS didn't need to check it was suitable for her. But it still needed to give her clear enough information so she could make an informed choice about whether or not she wanted the policy.

I can't say what was said to Miss S at the time, and so it's possible not all the information was as clear as it should have been. But even if FBS had given better or clearer information I still think she would have taken it out. I say this because:

- Miss S was eligible for the PPI and wouldn't have been affected by any of the limitations or exclusions on the policy which might have made it more difficult to make a claim.
- At the time of the sale Miss S says she would have had less than three months sick pay from her employers and she would have had assistance from her family if she fell into difficulty. But this policy would have paid out for a period of 12 months if she lost her job. So I think she would have found the policy useful. And whilst I appreciate family would have wanted to help, this type of help can't always be guaranteed in the long term. As the mortgage was secured over her home and the consequences of not being able to meet the mortgage repayments were serious and as she was taking on a long term financial commitment I think she might have valued the peace of mind the insurance gave.
- I've seen nothing to suggest that the policy was unaffordable for her or she had a particular need to keep the costs down.

I've thought about everything Miss S has said including what she has said about thinking the policy was part of the mortgage when it came up for renewal after the free period and if she'd had to re-apply to get it she wouldn't have done so. But as I've explained I think it's more likely she chose the policy - so it looks like she wanted this type of cover and there's nothing to make me think she would have thought she had to have it to get her mortgage. She could have cancelled it if she didn't want it.

So although I realise Miss S will be disappointed with my decision I hope the reasons I've given explain why I don't uphold this complaint.

my final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 8 December 2018.

Nicola Woolf
ombudsman