

complaint

Mr M says Nationwide Building Society ('Nationwide') mis-sold him a mortgage payment protection insurance ('MPPI') policy.

background

This complaint is about a regular premium MPPI policy taken out in 1989. Mr M applied for the MPPI when completing an application for a further advance.

Mr M took out other MPPI policies after this one. But this complaint is just about the policy sold in 1989.

Our adjudicator upheld the complaint. Nationwide disagreed with the adjudicator's opinion so the complaint has been passed to me.

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 Mr M's case.

I've decided to uphold Mr M's complaint because I don't think Nationwide gave Mr M clear enough information about the policy.

The policy terms say that unemployment or accident and sickness benefits wouldn't be paid for the first 90 days of any redundancy or illness (during a 'deferred period'). This was an important restriction that should have been brought to Mr M's attention before he agreed to take the cover.

Nationwide says Mr M would've been given a leaflet explaining this when he applied for the MPPI. It also says he would've been sent a certificate of insurance. So it thinks the terms were clearly explained to Mr M.

I've looked at all of the information that's been provided. Having done so, I don't think there's enough to show that Nationwide clearly explained the deferred period to Mr M, before he made his decision about the cover.

Mr M has told us that he would've been entitled to some sick pay from his employer. He's also told us that he might've had some savings. But he can't be sure if these were in place in 1989. So based on everything I've seen, I don't think at the time he took this policy out it's likely he had enough savings in place to have been able to cover a shortfall in income, due to loss of employment or sickness.

Looking at what I know about his circumstances, I think Mr M might have struggled to meet his mortgage repayments during the 90-day deferred period, if he was off work due to sickness or if he'd been made redundant.

Nationwide has said that it doesn't think the deferred period would've been an issue for Mr M. It says it would've offered him a 'payment concession' if he was unable to pay his mortgage for a period of time. This would mean that Mr M would've only had to pay a

reduced repayment and could then make up the shortfall later. It has also given us some information to show that it did this for Mr M.

But there weren't any guarantees Nationwide would do this when Mr M agreed to take the MPPI. The MPPI was designed to provide Mr M with the peace of mind of knowing his mortgage repayments would still be met if wasn't able to work. But in fact, Mr M would've had to find other ways to meet his repayments after his sick pay entitlements ended. So I don't think Mr M would've been happy to take such a risk in relying on what Nationwide *might* have done. Especially with the potentially serious knock-on consequences this could've had for him.

So I don't think Mr M would've bought this policy if he had been given clear information about it. And I think Mr M has lost out because of what the business did wrong.

putting things right

Nationwide should put Mr M in the position he'd be in now if he hadn't taken out MPPI. The policy should be cancelled, if it hasn't been cancelled already, and Nationwide should:

- Pay Mr M the amount he paid each month for the MPPI
- Add simple interest to each payment from when he paid it until he gets it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on†.
- If Mr M made a successful claim under the MPPI policy, Nationwide can take off what he got for the claim from the amount it owes him.

† HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Mr M a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons I've explained, I uphold Mr M's complaint.

Nationwide Building Society should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr M to accept or reject my decision before 8 April 2016.

Adam Williams
ombudsman