

complaint

Mr and Mrs H complain that they were told by Barclays Bank Plc they had to take out a life assurance policy to cover their mortgage. They say they did not need this policy as Mr H had sufficient cover through his employer. They have also said that the policy did not provide enough cover because it was not sufficient to cover the 'reserve' amount provided by Barclays.

background

Mr and Mrs H took out a joint level term life cover policy in 2004. This covered £47,000 for 8 years. This was taken out to cover a repayment mortgage.

Barclays did not uphold the complaint. It said that there was no evidence that Mr and Mrs H were told they had to have the cover and the mortgage offer clearly stated that such cover was not a condition of the mortgage.

It also said that the policy was a level term assurance, which would not normally be the most appropriate policy for a repayment mortgage. That would be a decreasing term policy. However, given that there was a policy reserve, which if utilised would not reduce with the rest of the mortgage, and given Mr and Mrs H's comments that they should have been covered for the mortgage and reserve amount, it thought a level term was appropriate.

Mr and Mrs H referred their complaint to this service.

An investigator at this service considered the complaint but did not believe it should be upheld. She said that the documents explained that the cover was not compulsory. She explained that Mr H's employer benefits did not mean that the policy was unsuitable or mis-sold. She also thought that the level term policy was appropriate in the circumstances.

Mr and Mrs H did not agree and so the complaint has been passed to me for review.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Protecting a joint mortgage, such as with term assurance cover, would generally be a suitable recommendation. To make sure that there are sums available in the event of one party's death to repay the mortgage is a reasonable step to take.

So in the unfortunate case that Mr or Mrs H died, the mortgage would be repaid. Any other money or protection Mr or Mrs H had through their employers, could therefore be used for other purposes.

Mr and Mrs H have said that the benefits supplied by Mr H's employer would have provided adequate cover. Normally it would still be good practice to cover the debt in terms of life cover; employer life cover would not necessarily be utilised for mortgage cover as there would reasonably be other calls on that cover. Covering the mortgage means that this will be repaid leaving other money available to support the survivor.

Be that as it may, as the adjudicator said, employer benefits are not normally a good substitution for a policy like Mr and Mrs H's, because they can be lost at any time with a loss of employment. Mr H's pension benefits are not a substitute for separate cover for the mortgage.

Mr and Mrs H have said they were told they had to have this policy. However I also have to take account that I have not seen any other evidence that indicates Mr and Mrs H were told the policy was compulsory. The mortgage offer only states that buildings insurance needs to be taken out. It does not state any cover need be taken out or in fact *any* cover with Barclays.

I understand that Mr and Mrs H say that they were told in a telephone conversation that they had to have cover for the mortgage. However given the passage of time a recording of that call is not available. Mr and Mrs H's comments are evidence I take into account but given the lack of supporting evidence they were told they had to have the cover, I cannot uphold this point of complaint.

I have considered the issue of the type of cover recommended. Mr and Mrs H had a level term policy. As Barclays has said, this would not normally be the most appropriate policy for the mortgage they had – that would be a decreasing term policy which decreased in line with the mortgage amount. However, what makes this issue more complex is that Mr and Mrs H had a 'reserve' of £15,000 which as I understand it is a type of (non-decreasing) mortgage overdraft facility which they could draw on if required. So it was unknown at outset if this would be used and how much of it would be used. The total debt at outset could be anywhere between £47,000 and £62,000 depending on whether the reserve was used.

It seems to be for this this reason and the fact that Mr and Mrs H suggested that the full amount should be covered, that led Barclays to the conclusion that the level term was reasonable.

It does not seem to me that there is any 'perfect' solution to this situation. There is a decreasing debt with an unknown reserve amount at any point in time. Ideally this should have been explained to Mr and Mrs H at outset and then they could have made an informed decision what to do. I have not seen evidence this happened.

If this had been explained Mr and Mrs H could have taken out a decreasing term for £47,000 – but be potentially underinsured if they used the reserve. Or they could have taken £62,000 of cover on this basis and been overinsured at outset – but still potentially underinsured later in the term. Or they could have taken out level term for £62,000 - but that would have left them overinsured at all times apart from if they took out the full reserve straight away.

As can be seen, none of the options provides an ideal solution. The level term Mr and Mrs H had covered them for the debt in most situations. If the reserve had been used then some of the balance of the level term over and above what was remaining on the mortgage would have protected some or all of the reserve. If the reserve was never used then the 'excess' cover still had value – it would have provided an extra sum over and above the mortgage to support the survivor if either Mr or Mrs H had died. Given the amounts involved, the difference in cost between the level and decreasing term would not have been great so there was not an onerous disadvantage in having the level term in this situation.

So, overall, I think the level term provided a reasonable level of cover in these specific circumstances. I do not think there was obviously a better option that should have been

chosen or recommended. So, whilst I can appreciate Mr and Mrs H's concerns I am not upholding the complaint on this basis.

my final decision

I do not uphold the complaint or make any award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs H to accept or reject my decision before 18 January 2018.

David Bird
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