

## **complaint**

Mr and Mrs B complain that Nationwide Building Society ("Nationwide") mis-sold them a payment protection insurance (PPI) policy.

## **background**

In October 1993 Mr and Mrs B took out a mortgage with Nationwide. At the same time they were sold PPI, to cover their monthly mortgage repayments if Mr B couldn't work due to accident, sickness or unemployment. Mr B was the sole policy holder of the policy.

Mr and Mrs B think Nationwide mis-sold the policy.

Our adjudicator thought Mr and Mrs B's complaint should be upheld. She was concerned that the policy wouldn't pay out for the first 90 days if Mr B, as the sole policy holder, needed to claim. As Mr B didn't have any savings or sick pay, she thought he would struggle to pay his mortgage during the first 90 days.

Nationwide didn't agree with our adjudicators view. It said it disclosed sufficient information on the policy through sales documentation given at the time and it was up to Mr and Mrs B to make an informed decision on whether they wanted the policy.

## **my provisional findings**

I've considered all the available evidence and arguments to decide, provisionally, what is 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 and Mrs B's case.

I've decided to uphold Mr and Mrs B's complaint and will explain why.

There was a 90-day deferred period in the PPI policy sold to Mr and Mrs B, during which Mr B wouldn't get any money if he claimed. I can see that Mr B didn't have any sick pay or savings at the time he took out the PPI. So he might have struggled to pay his mortgage for that 90-day period if he was made unemployed or couldn't work because he was sick. I haven't seen persuasive evidence that the 90-day deferred period, or the consequences of it, were made clear to him or Mrs B.

Without any other means of paying their mortgage for 90 days, they are likely to have gone into arrears with their mortgage and Nationwide might have registered this with credit reference agencies.

The purpose of the policy was to provide peace of mind that their mortgage repayments would be met in the event Mr B was unable to work. Given the 90-day deferred period, they would miss three-months of mortgage payments and gone into arrears, possibly with negative information added to their credit files, before the policy began to pay out.

I can see from the information provided that Nationwide didn't give a recommendation to Mr and Mrs B and so it needed to ensure that it provided clear information to them but I'm not persuaded it did. The available evidence doesn't suggest that the deferred period was made clear on the application form. I think this would have made a difference to

Mr and Mrs B's decision about whether to take out the policy or not, for the reasons given above. I don't think they wanted the policy in the first place and if the deferred period had been made clear, I think this would have made the policy less attractive, to the point they wouldn't have taken out the policy. So I think it was mis-sold.

### **what Nationwide should do to put things right**

Nationwide should put Mr and Mrs B in the position they'd be in now if they hadn't taken out the MPPI. Nationwide should:

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

<sup>†</sup> HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Mr and Mrs B a certificate showing how much tax it's taken off if they ask for one.

### **my final decision**

For the reasons I've explained, I uphold Mr and Mrs B's complaint.

Nationwide Building Society should pay Mr and Mrs B compensation in line with the instructions set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs B to accept or reject my decision before 9 November 2015.

Mark Richardson  
**ombudsman**