

complaint

Mr D complains that Nationwide Building Society ("Nationwide") mis-sold him a payment protection insurance (PPI) policy.

background

In September 1989 Mr D took out a mortgage with Nationwide. At the same time he was sold PPI, to cover his monthly mortgage repayments if he couldn't work due to accident, sickness or unemployment. Mr D also took a further advance on the mortgage in October 1990 and revised his PPI cover to reflect the additional payment.

Mr D thinks Nationwide mis-sold the PPI policy.

Our adjudicator thought Mr D's complaint should be upheld. She was concerned that the policy wouldn't pay out for the first 90 days if Mr D needed to claim. As Mr D 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 D to make an informed decision on whether they wanted the policy. It also suggested it would offer a payment concession if he couldn't pay.

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 D's case.

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

I can see from the information provided that Nationwide didn't give a recommendation to Mr D in the meeting and so it needed to ensure that it provided clear information to him but I'm not persuaded it did.

The available evidence suggests that the 90-day deferred period was not made clear in the sales documentation. It is not displayed anywhere on the application form, the sales document that would have been given prominence in the meeting. I think this shortcoming would have made a difference to Mr D's decision about whether to take out the policy or not. I can see that Mr D 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. And as I have already said, I haven't seen persuasive evidence that the 90-day deferred period, or the consequences of it, were made clear to him.

Nationwide has said that the 90-day deferred period wouldn't have caused a problem in reality. It says it would have offered Mr D a payment concession if he couldn't pay his mortgage during this period. That is, it would have accepted a reduced payment during those 90 days and allowed him to pay off the difference over time.

But Mr D couldn't have relied on this at the point of sale. The purpose of the policy was to provide peace of mind that his mortgage repayments would be met in the event they he was unable to work. Given the 90-day deferred period, he would miss three-months of mortgage payments and gone into arrears, possibly with negative information added to his credit file, before the policy began to pay out.

In conclusion, for the reasons given I think Nationwide did not provide enough information to Mr D and if it had I am persuaded he would have decided not to have the policy for the reasons given. So I think Nationwide mis-sold the policy to Mr D.

what Nationwide should do to put things right

Nationwide should put Mr D in the position he'd be in now if he hadn't taken out the MPPI. Nationwide should:

- Pay Mr D 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 D made a successful claim under the MPPI policy, Nationwide can take off what they 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 D 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 D's complaint.

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

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

Mark Richardson
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