

complaint

Mr and Mrs B complain that Bank of Scotland plc (trading as Halifax – “Halifax”) mis-sold them an Ultimate Reward Current Account (“URCA”) in 2010. They paid a monthly fee for the account, which offered them several benefits in return. Mr and Mrs B downgraded to a fee free account in 2014.

Mr and Mrs B have used a claims management company (“CMC”) to bring their complaint.

background

One of our adjudicators has already looked into Mr and Mrs B’s complaint. The adjudicator didn’t think Halifax mis-sold the URCA to them. Mr and Mrs B and their representative didn’t agree. The CMC asked for an ombudsman to look at their complaint.

my findings

I’ve considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. We’ve explained how we handle complaints about packaged bank accounts on our website. And I’ve used this approach to help me decide what to do about Mr and Mrs B’s complaint.

When the CMC disagreed with our adjudicator and asked for an ombudsman to look into the complaint, it said, in summary:

- Halifax told Mr and Mrs B that they’re existing medical conditions would be covered by the travel insurance. They later found out that they wouldn’t be covered and so have travelled abroad uninsured.
- Mr and Mrs B were on a pay as you go tariff so they wouldn’t benefit from the phone insurance.
- If Mr and Mrs B were attracted to the URCA for its overdraft benefits they would’ve used the overdraft but they didn’t.

I’ve thoroughly reviewed Mr and Mrs B’s complaint and thought about these points carefully. But while I’m sorry to disappoint them, I don’t think Halifax mis-sold them the URCA. I’ll explain why.

The first thing I’ve looked at is whether Halifax gave Mr and Mrs B a choice about taking out the URCA.

When Mr and Mrs B took the packaged bank account they’d held a fee free account for almost 20 years. So I think they knew they didn’t have to pay for an account if they didn’t want to. And they’ve said that they agreed to take the URCA because they were told they’d benefit from the travel insurance it offered. So I think that Mr and Mrs B were given a choice on whether to take the account. And they chose to upgrade because they thought at least some of the benefits it offered might prove useful to them.

Mr and Mrs B say that Halifax recommended they upgrade their account. But I haven’t seen enough to suggest it assessed their needs in any detail or gave them a tailored recommendation of the insurance policies that came with the account. So I don’t think Halifax advised them to upgrade to the URCA. This means it didn’t need to check if the account was suitable.

But Halifax did have to provide Mr and Mrs B with enough information for them to decide if the account was right for them. I think it's likely that they would've been told about most, if not all, of the benefits on the account in order to make it appear as attractive as possible.

Mr and Mrs B had pre-existing medical conditions which would limit their use of the travel insurance. The travel insurance policy didn't automatically cover medical conditions a policyholder already had. Policyholders needed to call the insurer and check if their conditions were covered and if so, potentially pay an extra charge. Halifax needed to tell Mr and Mrs B about this potential limitation on the travel insurance. Based on everything I've seen and what Mr and Mrs B have said, I think it did. I say this because from what I've been provided it looks like Mr and Mrs B contacted the insurer to register for card and passport protection. They also asked about the travel insurance cover at this time. They later declared their medical conditions to the insurer twice. This suggests to me that Halifax gave them information about the travel cover's potential restrictions for pre-existing medical conditions.

At this point I think it important to explain that Halifax and the travel insurer are separate financial businesses. Halifax doesn't look at whether claims should be paid or not, or what the insurer might charge extra to cover medical conditions. Halifax simply sold Mr and Mrs B the URCA, which included travel insurance as just one of the benefits it offered.

But I don't know if Halifax did all that it should've to bring to Mr and Mrs B attention that their medical conditions might not be covered or that they might have to pay more for the cover. Because of this, I need to decide what I think is most likely to have happened if Halifax *had* done all it should've when it sold Mr and Mrs B the account.

Mr and Mrs B suggest that they wouldn't have taken the URCA because they weren't insured when they travelled abroad. I've not seen enough evidence for me to know if this is correct. But even so, the travel insurance covered more than medical conditions – for example, it also insured against lost baggage and flight cancellations. And while the travel insurance didn't automatically cover Mr and Mrs B's existing medical conditions, it would've covered them for other medical conditions while abroad.

Also, the limitation for pre-existing medical conditions is very common in most insurance policies. All policies I know of in the travel insurance market tend to charge a premium for pre-existing medical conditions or the conditions are excluded from cover altogether. Because of this, I think it would've been difficult for Mr and Mrs B to get the cover they wanted at the cost they wanted elsewhere. And Mr and Mrs B could've benefitted from most of the travel insurance benefits. Plus the URCA provided several other insurance and banking benefits. So I don't think further information about the travel insurance would've made a difference to their decision about the upgrade.

And while I accept that they've never needed to claim against the insurance provided by the packaged account, this doesn't mean they couldn't have relied on it if they had needed to. Insurance gives us peace of mind and just because Mr and Mrs B have been fortunate enough not to need to claim against them doesn't mean that they held no potential value to them. Packaged accounts are rarely tailored to the individual, so it's unlikely Mr and Mrs B would've found every benefit useful. And I've not seen anything to suggest they couldn't potentially have used most of the other benefits. So while they may not have used all the benefits available to them it doesn't mean Halifax mis-sold the account.

Mr and Mrs B also say they didn't need the phone cover because they were on a pay as you go tariff. But from what I've seen the phone insurance applies to these tariffs so I can't say that they couldn't have used this benefit if they wanted to.

While it's possible that Halifax didn't tell Mr and Mrs B everything it should have about the packaged account, I haven't seen anything to make me think that they wouldn't still have taken the account even Halifax had told them everything. With hindsight, Mr and Mrs B might feel that the packaged account wasn't particularly beneficial to them. But taking the evidence as a whole, I think it's more likely than not that they agreed to take the account, knowing they had a choice and that they were taking an account with benefits. Just because they haven't taken advantage of all the benefits, doesn't mean that the account was mis-sold.

I want to reassure Mr and Mrs B that I've looked at all the information I have about their complaint. And I've thought about everything they've said. But having done so I don't think Halifax mis-sold the packaged account to them. So I don't think it owes them any money.

If Mr and Mrs B remain dissatisfied about the conflicting information they've received from the insurer about covering their medical conditions, they should contact the insurer directly.

my final decision

For the reasons I've explained, I don't uphold Mr and Mrs B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs B to accept or reject my decision before 30 December 2015.

Jennifer Wood
ombudsman