

complaint and background

Mr and Mrs I complain that they were mis-sold a regular premium mortgage payment protection insurance (MPPI) when applying for a mortgage in 1996. They say that Bank of Scotland plc, trading as Halifax ("Halifax") mis-sold the policy to them.

I've attached my provisional decision from September 2016, which forms part of this final decision. In my provisional decision I set out the reasons why I was planning to uphold this complaint. In short, that was because I didn't think that Mr and Mrs I had a need for the cover, and so Halifax shouldn't have recommended it to them.

I asked both Mr and Mrs I and Halifax to let me have any more information by October 2016. Neither of them has had anything further to add.

my findings

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I set out in my provisional decision that I'd follow our published approach to considering PPI complaints.

As neither Halifax nor Mr and Mrs I has raised any new points, I've got no reason to change my findings or the outcome I set out in my provisional decision. So it follows that I uphold this complaint.

putting things right

Halifax should put Mr and Mrs I in the position they'd be in now if they hadn't taken out PPI. The policy should be cancelled, if it hasn't been cancelled already, and Halifax should:

- Pay Mr and Mrs I the amount they paid each month for the PPI
- 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†.
- If Mr and Mrs I made a successful claim under the PPI policy, Halifax can take off what they got for the claim from the amount it owes them.

† HM Revenue & Customs requires Halifax to take off tax from this interest. Halifax must give Mr and Mrs I 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 this complaint and direct Bank of Scotland plc to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs I to accept or reject my decision before 3 November 2016.

Siobhan McBride

ombudsman

copy of provisional decision

complaint

Mr and Mrs I complain that they were mis-sold a regular premium mortgage payment protection insurance (MPPI) when applying for a mortgage in 1996. They say that Bank of Scotland plc, trading as Halifax (“Halifax”) mis-sold the policy to them.

background

Our investigator looked at the case and thought that the policy hadn’t been mis-sold. So she didn’t uphold Mr and Mrs I’s complaint. They don’t accept that and have asked an ombudsman to review the case and reach a decision.

my provisional findings

I’ve considered all the available evidence and arguments to provisionally decide what’s fair and reasonable in the circumstances of this complaint. I’ve followed our usual approach to PPI complaints, which everyone can read on our website. I need to decide whether Halifax did something wrong when it sold this policy. If so, I then need to decide if that left Mr and Mrs I worse off, and if Halifax needs to do something now to put things right.

At the moment, I’m planning to uphold this complaint, and I’ll explain why.

Because of how long ago this sale happened, Halifax isn’t able to provide much from the time of the sale. It doesn’t have any records to show how the policy was sold, but has accepted what Mr and Mrs I have said – that it was sold in branch and they were given a recommendation by the Halifax advisor. So I’ve thought about the case on that basis.

Mr and Mrs I took out a joint mortgage, along with a MPPI policy which only covered Mr I. I’ve seen the insurance certificate confirming the start date of 31 October 1996, and the benefit amount of £200.

was the policy suitable for Mr and Mrs I?

Halifax accepts that it recommended this policy. That means its advisor needed to make sure that it was suitable for Mr and Mrs I’s needs. A key part of that is establishing whether they had a need for the cover provided. Because of how long ago this happened, I don’t know what steps, if any, Halifax took to check that. So I’ve thought about whether the MPPI was suitable for Mr and Mrs I, and I don’t think it was. That’s because I don’t think they had a need for it.

Halifax’s records show that the monthly mortgage repayment was £267 at the start of the mortgage. It also shows that Mr I was earning just over £12,000, and Mrs I nearly £9,000. The policy covered Mr I for up to 12 months in the event of accident, sickness or redundancy. He’s told us various different things about the amount of sick pay he would have got if he’d been ill. It may have been as much as 6 months’ full pay followed by six months’ half pay. In any event, Mrs I has confirmed that Mr I has worked for the same employer for about twenty five years, and I think it’s likely he would have got some sick pay in 1996.

I've thought about what need Mr and Mrs I had for this cover. And, taking into account how long he'd been in his job, his sick pay, and their incomes, I can't see that they had much need at all. According to UK government information on tax bands, it looks like Mrs I's net income in 1996 would have been around £8,000. In reaching that figure, I've factored in a tax free allowance, and basic rate income tax of 20% on the remainder of her wages. On the basis of the evidence I've seen, I think that her income could have met their mortgage repayment, along with other usual living costs. And it's clear that Mr I had some sick pay, and would have received some form of redundancy pay.

I accept that Mr and Mrs I might simply have chosen to take out £200 worth of cover to give themselves a bit of financial breathing space were Mr I too ill to work, or to be made redundant. But this was an advised sale. So, in the round, I don't think that they had a strong enough need for this cover to warrant Halifax recommending it to them. If they'd been given proper advice, I don't think Mr and Mrs I would have bought this policy. So it follows that I'm currently planning to uphold this complaint.

putting things right

Halifax should put Mr and Mrs I in the position they'd be in now if they hadn't taken out PPI. The policy should be cancelled, if it hasn't been cancelled already, and Halifax should:

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my provisional decision

For the reason I've explained, I currently plan to uphold this complaint and direct Bank of Scotland Plc, trading as Halifax, to put things right as set out above.

Both Mr and Mrs I and Halifax have until 26 September 2016 to send me any further information to look at before I issue my final decision.

Siobhan McBride
ombudsman