complaint

Mr W complains Lloyds Bank PLC mis-sold a decreasing term assurance policy when he took out a mortgage, and then a replacement policy when he took out a further advance.

Mr W says he was told he had to have the policies but had not asked for and didn't want them. He had a good job with no dependents so didn't require the policies.

background

Lloyds didn't uphold the complaint. It said it was a condition of both the mortgage and the further advance that Mr W had life insurance. If he was not happy with that he could have approached a different lender.

Lloyds also said it was satisfied sufficient discussions had taken place for Mr W to take a balanced and informed decision to take out the policies. The benefits Mr W had through his employer did not mean he didn't have to take out the policies.

Mr W didn't agree with Lloyds and referred the matter to us. One of our adjudicators considered the complaint but didn't uphold it. He said the documentation showed having life insurance was a condition of the lending, and it was a commercial decision for Lloyds if they wanted to have such a condition.

The adjudicator also said the policies were appropriate as the sums assured and terms of the policies matched the mortgages.

Mr W disagreed with the adjudicator. He said the mortgages were arranged on a repayment rather than an endowment basis. So no insurance was required. And he also didn't need insurance as he had no dependents.

Mr W also said Lloyds would have been able to recover the money owed if he didn't pay or died, because the property would have been sold to pay it. And he queried why the adviser received a payment for arranging the policies if it was a condition of his mortgages he take these out.

As agreement could not be reached the case has been passed to me to 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.
In 1994 Mr W took out a mortgage with Lloyds. It was a condition of the mortgage that he had life insurance so the mortgage would be paid if he died. The adviser recommended he take out a mortgage protection plan.

Mr W said he didn't need or want the policy as he had no dependents and had worked for the same employer for a long time. I think what Mr W is probably saying about his employment is he had good benefits through his employment. He has also said Lloyds would have got the money owed to it under the mortgage either through repossessing the house or from his estate if he died.

I understand why Mr W has raised these points. But the advice to take out the plans was not based on whether he had dependents, or the fact the mortgage could be paid off some other way if he was unable to pay it.

The reason why the adviser identified Mr W had a need for life insurance was because it was a condition of him getting the mortgage. So if he wanted the mortgage with Lloyds he had no choice but to take out a life insurance policy unless he already had an appropriate policy. There was nothing wrong with Lloyds making this a condition. It was a commercial decision it was entitled to make.

The financial interview carried out by the adviser indicated Mr W didn't have any existing insurance. So the adviser recommended Mr W take out a new policy. The sum assured and term recommended by the adviser was the same as the mortgage, so I think the adviser's recommendation was appropriate in the circumstances.

If he was not happy with having to take out life insurance Mr W could have tried to find a lender who did not have a similar condition. But having chosen to proceed with the Lloyds mortgage he had to have life insurance.

Mr W said in response to the adjudicator's view that he didn't need insurance because the mortgage was not interest only. As the mortgage was a capital repayment mortgage it would reduce over the term of the mortgage until nothing was owed at the end.

As I have already explained, the recommendation to Mr W to take out life insurance was because it was a condition of the mortgage. So he had to take out life insurance whatever type of mortgage he had. And it would normally be appropriate for an adviser to recommend life insurance for a capital repayment mortgage anyway.

Mr W took out a small further advance in 1996. The adviser recommended he replace his existing policy with a new one covering the whole mortgage including the further advance. Apart for the sum assured and term, which were changed to reflect the new mortgage, the policy was the same as Mr W took out in 1994.

Mr W makes the same points about the new policy as he does for the first one. And for the reasons I have already set out about the sale of the first policy, I don't think Lloyds mis-sold the second policy to Mr W either.

Lloyds have said it was still a condition of the mortgage he have life insurance to cover the mortgage. And the financial interview showed the only existing policy was the one taken out to cover the mortgage in 1994 which Mr W cancelled because the new policy replaced it.

The only alternative to replacing the first policy was to take a top up policy just to cover the small further advance. But the premium for the new policy was less than what Mr W was already paying so I think it was more appropriate to replace the existing policy.

Mr W has said he was not given the option of shopping around for a different policy. But the adviser was not obliged to suggest this to him. The adviser's duty was to recommend a suitable policy taking account of Mr W's circumstances, and I think he did that.

my final decision

For the reasons I have set out above I do not uphold the complaint and I make no award.

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

Philip Gibbons
ombudsman