

complaint

Mr and Mrs D said Chorley and District Building Society mis-sold them a mortgage payment protection insurance policy.

background

I issued the attached provisional decision in February 2016, setting out why I thought the complaint shouldn't be upheld. And I asked both parties to provide any further submissions or information to me within one month.

my findings

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Neither party has sent me any new information or arguments which fundamentally change anything.

So there's no reason to change the findings I set out in my provisional decision.

my final decision

For the reasons set out in my provisional decision, I don't uphold Mr and Mrs D's complaint. And I don't direct Chorley and District Building Society to do anything to put matters right.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs D to accept or reject my decision before 11 April 2016.

Michael Campbell
ombudsman

copy – provisional decision

complaint

This complaint is about a mortgage payment protection insurance (MPPI) policy. Mr and Mrs D say Chorley and District Building Society ('Chorley') mis-sold them this policy.

background

In 1998, Mr and Mrs D took out a mortgage with Chorley. At the same time they bought an MPPI policy to protect their loan repayments.

Our adjudicator said the complaint should be upheld. But Chorley disagreed and the complaint has been passed to me for an ombudsman's decision.

my provisional findings

I've considered all the available evidence and arguments to decide what's 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 this case.

Having done this, I don't intend to uphold Mr and Mrs D's complaint.

The crux of this complaint is how the MPPI was portrayed to Mr and Mrs D at the time of the sale. Somewhat unusually, their mortgage came with a condition that either MPPI or another insurance product *must* be taken out. This was necessary in order to secure the preferential rate being offered with the mortgage. Put another way, it was a qualifying condition.

Mr and Mrs D have no doubt become aware of PPI mis-selling through extensive media coverage. On many occasions, consumers were led to believe they had no choice in whether to take out these types of product when actually they should have been given a choice. We've taken a dim view of this practice and have upheld many complaints because consumers weren't given the right – or enough – information.

However, what is less commonly known is that financial service providers are actually allowed to make the buying of these types of policy a condition of, as in this case, being granted a particular or discounted mortgage. What matters most is whether these terms are made clear and are reasonable.

In this case I was sent much of the original sales material and I can see on Mr and Mrs D's Mortgage Offer, from April 1998, it states:

"Buildings and Contents OR Accident, Sickness and Unemployment Insurance must be arranged by the Society and remain in force during the fixed or discount period."

It's clear to me that Mr and Mrs D were aware that they'd applied for the MPPI as part of their mortgage; I was sent their MPPI application form which they had both signed and which set out the benefits of the policy on a 50 / 50 basis. This means if either had claimed, they'd have got half the monthly benefit paid to them.

I think this was included prominently on the form and it would have been clear enough that this was one of the products necessary to 'qualify' for the discounted mortgage. The benefit 'split' was clearly set out on the form that Mr and Mrs D signed.

I note that our adjudicator who looked at this case thought this 'split' might have been better apportioned, presumably with the higher earner receiving the greater protection.

But I don't think this matters because the 'deal' into which Mr and Mrs D entered was made clear enough throughout their application. I also think that, however the policy benefits were 'split' the overall cost to Mr and Mrs D would have remained the same, no matter which partner stood to receive the greater percentage in the event of a successful claim.

I'm also satisfied having looked carefully at this case that Mr and Mrs D were eligible for the cover and that they would have known the conditions that taking the mortgage came with.

I'm sure Mr and Mrs D have given us their genuine recollection of events, but they relate back to 1998 and I have to take into account that they may not remember everything about the sale. On the other hand, the documentary evidence I've seen strongly points to the MPPI being a condition of the mortgage and a condition that was clearly explained.

Taking account of all these things, I can't safely say this policy was mis-sold.

my provisional decision

For the reasons set out above, I don't intend to uphold Mr and Mrs D's complaint. And I don't intend to direct Chorley and District Building Society to do anything to put matters right.

I now invite all parties to submit any further evidence or comments they wish me to consider by 8 March 2016 after which I will issue a final decision.

Michael Campbell
ombudsman