

complaint

Mr P has complained that he was mis-sold various term assurance and critical illness policies by HSBC Bank Plc between 1998 and 2004. Mr P is represented in bringing his complaint.

background

In 1998 Mr P was sold a mortgage protection plan with critical illness cover to protect his 16 year mortgage.

At the same time he also purchased a Survival Plan. This was a critical illness policy and was arranged on a standalone basis, so wasn't set up to protect any mortgage or loan.

In July 1999, Mr P took out an equity release loan for £8,500. At the same time, he was sold another mortgage protection plan with critical illness cover to protect the loan.

In 2004, Mr P met with an adviser again and was recommended to take out another mortgage protection plan with critical illness cover to replace previous cover.

In 2015, Mr P complained to HSBC that he was mis-sold all of the above policies. His representative said that:

- Mr P was told he had to take out the policies
- Mr P had adequate cover through his employment
- HSBC didn't provide Mr P with enough information to make an informed decision, which resulted in him paying for policies he neither wanted nor needed

HSBC didn't consider Mr P's policies were mis-sold so they didn't uphold his complaint. Mr P was unhappy with HSBC's response so he referred his complaint to this service.

Our adjudicator considered each policy but didn't think they had been mis-sold. He said HSBC confirmed that it was a requirement of all borrowing, prior to 2000, to have life cover in place. He said if Mr P wasn't happy with this condition he could have gone elsewhere to get his mortgage or loan.

The adjudicator said there's no evidence to suggest the adviser told Mr P that he had to take out a policy with HSBC, or that he had to include critical illness cover with the policy. He also noted that Mr P arranged a Survival Plan on a standalone basis, which would suggest he wanted critical illness cover.

The adjudicator said the third mortgage protection plan, which was taken out in 2004, was to replace the previous two plans he was sold in 1998 and 1999. He didn't think it was unreasonable for HSBC to recommend the policy, as in the event of Mr P's death, or diagnosis of a critical illness, the policy would be used to repay the mortgage debt, leaving a debt free property for his family.

The adjudicator also didn't consider Mr P's employment benefits made these policies unsuitable. He said HSBC were unable to assign his employment benefits to his borrowing and so he was required to take out additional cover to secure the mortgage and loan.

Overall the adjudicator said there was no evidence that Mr P was mis-sold these policies and he thought HSBC provided sufficient documentation about each policy.

Mr P's representative didn't agree with the adjudicator's assessment. It maintained that Mr P didn't need the policies and said that if he was provided with sufficient information, he would have chosen a cheaper level of cover to secure his borrowing.

The adjudicator wasn't minded to change his opinion of the complaint and so it has been referred to me for 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.

Essentially Mr P has said that he did not want any of the protection policies he was sold and his employer benefits were more than sufficient. He has also said that whilst some of the life cover provided before 2000 was compulsory to obtain the loan he did not know he could go elsewhere to obtain it – and would have done so if he had known that.

Because these policies were taken out some time ago there is in some respects a lack of full records about why the cover was recommended. However, it does seem to me reasonably clear that all the protection was taken out to protect debt – in the form of mortgages on property. There is some disagreement about the 2004 policy – whether it was for a new mortgage or as cover for an existing mortgage. But I believe the material issue is that it was to protect a debt.

In terms of the life cover being required before 2000, HSBC are offering the loan and it can make certain conditions of offering that loan, which may include protection products such as life cover. It is not my role to interfere in that; if a customer does not wish to accept those terms then they can opt not to take the loan and/or seek the loan elsewhere.

In any event, having life cover in place to protect significant debts like this is reasonable, and a reasonable recommendation.

I recognise that Mr P says he was not told he could go elsewhere for life cover but there is no other evidence to support that. It is also not in any way clear he would have done so, or that HSBC's cover was uncompetitive or even how Mr P has been disadvantaged by this. Mr P's representative has made comments that it might have been cheaper elsewhere but has supplied no further evidence of that.

In terms of the critical illness cover (which was not compulsory) this cover is a protection that provides benefit whilst the party is still alive but where there is a real risk they will no longer be able to work or require medical treatment. On the face of it this would be a suitable recommendation because Mr P had debts to protect which would likely have been more difficult to support if he had a critical illness. Even if Mr P did not have such debt there is no particular reason why he would not want to protect against such illness and I note extra cover was taken out. That would tend to suggest there was some discussion about extra protection – more than just to cover the loan(s).

I note Mr P was a police officer and whilst I could expect he would have good employer benefits I think it would also be reasonable to say that the chances of him suffering permanent incapacity would be higher than some other forms of employment. So I can see why it might have been felt that more protection was advisable. I would also say that there would be many needs in the event of permanent incapacity or critical illness – not just repaying debt. So it would be wrong to assume that simply relying on employer benefits to clear or pay for debt was sufficient – without any other cover being available.

That is without taking into account that Mr P's employer benefits would likely be lost if he left that employment – and so cannot be guaranteed for any significant period.

I would finally say that I have not seen sufficient evidence that Mr P was told this critical illness cover (or post 2000 cover) was compulsory. Mr P's comments are evidence that I take into account but HSBC has said he would not have been told that and I have not seen any supporting evidence that he was told he had to have it.

my final decision

For the reasons discussed I do not believe these recommendations were unsuitable or Mr P was misled about them. I therefore do not uphold the complaint or make any award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 25 July 2016.

David Bird
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