complaint

Mr C has complained that Nationwide Building Society ("Nationwide") mis-sold him a mortgage payment protection insurance ("MPPI") policy in 2005.

background

One of our adjudicators looked at this complaint and thought that it shouldn't be upheld.

Mr C disagreed with the adjudicator's opinion, so the complaint has been passed to me to consider.

my 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.

I've decided not to uphold this complaint and I'll explain the reasons for this.

Firstly, I've looked at whether it was made clear to Mr C that the policy wasn't compulsory. I've looked at the paperwork from the time of the sale and the testimony of both parties to help me decide what's most likely to have happened.

Mr C told us that the sale took place at a meeting at a branch. He also told us that he was told it was better to have payment protection because if he fell ill or lost his job, he could lose his house. He told us that he feels he was forced into making the decision to take out the MPPI.

I can see that on the mortgage offer, Nationwide said that Mr C wasn't required to buy any insurance through it. In addition, it said that the MPPI was optional. It also stated that the first 3 months of premiums were free. As Mr C was entering into a serious financial commitment, I think it's most likely he would have read his offer before agreeing to the mortgage. There's no way of knowing exactly what happened at the meeting, but the paperwork doesn't suggest that the MPPI was presented as compulsory. So on balance, I think it's most likely that Nationwide made it clear that it wasn't mandatory and Mr C understood that he had a choice about whether or not to take out the policy.

Next I've looked at whether the policy was suitable for Mr C, and I think that it was for the following reasons.

First of all, there were rules about who could qualify for the policy and based on the information that's been provided to us, it looks like Mr C met those rules. I've also checked the main exclusions and restrictions of the policy and it doesn't look like Mr C would've been caught out by any of him.

When he complained to us, Mr C told us he was entitled to sick pay which was worth 12 months of his pay and he also told us he had savings to call upon which were worth 12 months of his pay. However when speaking to Nationwide about his complaint, Mr C has also said that he was entitled to sick pay worth between 6 and 12 months of his pay. It seems to me there may be uncertainty on Mr C's part about how long his sick pay would have paid for; this is entirely understandable and it doesn't make any difference to my decision because even assuming that Mr C *had* a generous sick pay entitlement, I don't think this is enough for me to say the MPPI wasn't suitable for him. If he was too ill to work or was made unemployed, the policy would've covered the mortgage repayment and given peace of mind and security at a difficult time. It would have paid out for up to 12 months and it would have allowed him to use any sick pay for other necessary household expenses and to protect his savings. Mr C complained that the adviser told him out he could lose his house, but this wasn't incorrect. And given his circumstances, I think it's just as likely as not that he'd have been interested in the protection offered by the MPPI given the serious consequences of defaulting on his mortgage.

Next I've looked at the fact that Mr C had pre-existing medical conditions at the time of the sale. Many MPPI policies totally exclude cover for pre-existing medical conditions. But under the policy terms and conditions, I see that although Mr C's policy didn't cover him for his conditions for the first year, it did cover him after that. I think the fact that he would have been covered after a year would have been attractive to Mr C. So overall, I think that the policy was suitable for him. It also appears to have been affordable for him.

Finally, Nationwide had to give Mr C information that was clear, fair and not misleading so he could make the decision for himself about whether or not to take the MPPI.

It's possible that Nationwide didn't give Mr C clear enough information about the cost, benefits, main exclusions and restrictions of the policy. But for the reasons I've already explained above, I don't think that Mr C would have been affected by the main exclusions and restrictions. And the cost was comparable to the cost of other, similar policies available at the time. So on balance, I don't think having better information would have changed his decision. Overall I think it's most likely that he decided the MPPI was good value for him and I don't think having better information would have put him off taking it out.

my final decision

For the reasons set out above, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 February 2016.

Katrina Hyde
ombudsman