

complaint

Miss R and Mr S complain about a monthly mortgage payment protection insurance (“MPPI”) policy sold to them when arranging a mortgage with Nationwide Building Society (“Nationwide”). They approached Nationwide in March 2003 to arrange a re-mortgage. It was during this transaction the MPPI was added. Miss R and Mr S complain on the basis they were mis-sold the policy.

background

Nationwide dealt with Miss R and Mr S’s complaint and decided to not uphold their concerns. Upon bringing their complaint to this service an adjudicator in their case also decided to not uphold their case. Miss R and Mr S have now asked for an ombudsman to provide a final decision in relation to this matter.

my findings

I have included only a brief summary of the complaint above, but I have considered all of the available evidence and arguments from the outset in order to decide what is fair and reasonable in the circumstances. In doing so I have also taken into account the law and good industry practice at the time the policy was sold.

The key questions I will consider in this case are as follows:

- Whether Nationwide gave Miss R and Mr S information that was clear, fair and not misleading in order to put them in a position where they could make an informed choice about the insurance they were buying.
- If Nationwide was giving advice or making a recommendation, whether it took adequate steps to ensure the product being recommended was suitable for Miss R and Mr S’s needs.

If there were shortcomings in the way in which Miss R and Mr S were sold the policy, I will also consider whether they are worse off as a result; that is, would they have done something differently – such as not taken out the policy – if there had been no shortcomings.

I have decided to not uphold this complaint. I shall explain why.

basis of sale?

This sale was conducted in branch with one of Nationwide’s representatives. Miss R and Mr S cannot recall if they were advised in this sale. Nationwide have told me that the sale was conducted on an information only basis. I have examined the documentation and I am satisfied that this was a non-advised information only sale. I say this because on Miss R and Mr S’s application they confirm at section 9 of the form which deals with mortgage protection that “*Nationwide has provided me/us with sufficient information, including details of the main exclusions, to make a decision on the type and level of cover needed*”. This suggests to me that the information about the PPI was conveyed and it was for Miss R and Mr S to make their own choice based upon the information received. The Mortgage Product Confirmation Document also stipulates that no advice had been given in relation to the mortgage product they were selecting, so advice could not be inadvertently given in terms of the MPPI. I am

satisfied that on balance this was a non-advised sale. Nationwide had to ensure therefore that the information they gave to Miss R and Mr S was clear and fair.

did Miss R and Mr S have a clear choice about the MPPI they were selecting?

Miss R and Mr S complain that they were told it was a condition of the mortgage to select the MPPI. I do not agree, as I shall explain. The application form as already mentioned above provides a section which deals with mortgage protection. At section 9 of this form a consumer it appears is given a choice. Nationwide have told me that this application would have been populated with answers as their representative took Miss R and Mr S through their application. They have also provided me with a sample application whereby a consumer has rejected MPPI cover at this section of the form. I am satisfied that Miss R and Mr S have selected the MPPI on their application at the time. The Mortgage Product Confirmation Document also suggests that Miss R and Mr S had conversations with Nationwide's representative as they have tailored their MPPI requirements. I can see that Miss R and Mrs S have selected a monthly benefit of £500 cover, with a 12 month benefit period and 30 day excess. They have also decided to split the benefit 50/50. Finally, the mortgage offer made the costs of the MPPI clear to Miss R and Mr S and nowhere in this offer is the MPPI made compulsory. I am persuaded that Miss R and Mr S knew this policy was optional, have discussed their requirements with a Nationwide representative, have selected and tailored their protection requirements and were aware that it came at cost. Their complaint does not succeed on this basis.

was the information presented in a clear and fair way?

Nationwide have told me that Miss R and Mr S would have received a policy leaflet explaining the key features of the policy such as its costs and benefits and any notable exclusions and limitations. However, I cannot say for sure that they would have received this leaflet at the time, or if they did that they read its contents and understood how the MPPI worked. So what Nationwide tell me should have happened, does not necessarily mean that it did. As such there is a real risk of information failings in this sale. Before I can uphold a complaint, I also need to be able to say that a consumer has suffered detriment as a result. That is to say that if the sale of the MPPI had been conducted in a clear and fair way, the information would have dissuaded Miss R and Mr S from going ahead with the sale. I cannot safely say that they would not have purchased the MPPI if the information had been clearer. I shall explain why.

Miss R and Mr S were in full-time employed positions and were eligible for the MPPI. They have also told me that they were in good health at the time of the sale. As such they would not have been caught by any restrictions or limitations which would impact upon others, for example those with pre-existing medical conditions, or the self-employed. As such they could expect to benefit in full from the MPPI cover selected. Further information here about such eligibility requirements, exclusions and limitations would not have deterred them from continuing with their purchase of the MPPI.

I can see that the MPPI cost £24.94 but that their first year's premiums were free. The cost is also quite clearly disclosed to Miss R and Mr S in the mortgage offer they subsequently received. In light of the fact that they have gone ahead knowing what the cost of the MPPI was to be, I cannot see how further information about the policy's cost would have assisted them either. Even if they were not aware of the MPPI cost it does not appear prohibitively expensive for them.

The MPPI would have provided a monthly benefit of £500 split 50/50 between Miss R and Mr S. This would have provided 12 months of mortgage cover in the event of accident, sickness or unemployment. They have told me that they cannot remember if they were entitled to any workplace benefits if they were unable to work due to accident or sickness.

However, I have considered that given they were borrowing a significant sum of money they may well have struggled to meet their mortgage commitments if either Miss R or Mr S was unable to work at all. I say this because they have also told me that they did not have any savings or other plans or policies in place to assist them in meeting their obligations and that they had a dependent child. The MPPI would have paid out for a valid claim irrespective of any workplace benefits and this would have provided Miss R and Mr S with some welcome breathing space if they were unable to work. As such I am persuaded that even with further information about the policy's benefits was provided they would not have made a different decision.

Again, even if the exclusions and limitations were not discussed this would not have impacted upon them at the time. So, given that it appears they have selected the MPPI and have tailored their protection requirements, that it was not a condition of the mortgage and that they were eligible and not caught by any significant exclusions or limitations, I cannot say that any possible information failings in this sale would have impacted upon their decision.

Despite the possibility of information failings in this sale I find that Miss R and Mr S have not suffered any detriment as a result.

I do not uphold this complaint.

my final decision

I do not uphold this complaint and I make no award against Nationwide Building Society.

Daniel Lucas
ombudsman