Financial Ombudsman Service

complaint

Mr H complains that Zurich Advice Network Limited sold him a mortgage protection plan that he didn't need.

background

In 2004, Zurich arranged a mortgage for Mr H. He initially applied for a residential repayment mortgage and a protection plan to match the details of that mortgage. The plan provided Mr H with decreasing term assurance and critical illness cover, and it had a separate element that would give him a monthly benefit after a period of six months if he was unable to work because of accident or illness.

Mr H then decided to rent out the property he was buying rather than live in it himself. He applied for a buy-to-let mortgage with a different lender on an interest-only basis. But he didn't change the details of the mortgage protection plan.

Mr H later came to live in the property himself. He stopped paying the monthly premiums for his mortgage protection plan in 2007, when he remortgaged to another lender.

In 2015, Mr H complained about the advice he'd been given. He didn't need the policy but had been told he had to take it out. He was charged too much and had difficulty making the monthly payment for the protection plan, which caused him stress.

Zurich said the plan was suitable for Mr H's needs at the time and he was given all the information to explain how it worked. He could have chosen to cancel the plan if he didn't want to go ahead with it.

Our adjudicator didn't think Mr H's complaint should be upheld. She was satisfied that he had a need for the cover provided by the plan. She thought he'd been made adequately aware of the costs and the details of the plan.

The adjudicator said that the decreasing basis of the plan didn't match the interest-only mortgage Mr H eventually took. But she thought the available evidence indicated this was due to costs and Zurich's advisor had discussed the plan not being a match for the changed mortgage with Mr H. The adjudicator said that a plan on a level basis would have been more expensive than Mr H's actual policy, so he hadn't suffered any financial loss.

Mr H didn't accept the adjudicator's findings and asked for the complaint to be reviewed.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've looked carefully through all the information from the time Mr H applied for his mortgage and protection plan. I've also taken into account the points Mr H has raised about his circumstances and where he feels these are different to what was recorded.

Mr H has told us that he was a single; first-time buyer at the time, yet the information suggests that he was married and lived with family.

There are two mortgage offers relating to Mr H's purchase of this property and these show that he initially applied for a residential mortgage on a repayment basis. The mortgage protection plan was applied for at the same time as this mortgage and matched its details.

But that mortgage didn't go ahead as Mr H then decided to buy the property to let out. This was a different type of mortgage (one specifically for buying a property to let), and so a new application was made to another lender. This was for an interest-only mortgage rather than a repayment.

However, Mr H's mortgage protection plan was already in place when that mortgage went ahead. Zurich has told us that its advisor discussed making changes to the plan to match the new mortgage but Mr H wanted to keep it as it was.

Mr H's mortgage protection plan would provide a lump sum in the event that Mr H died or was diagnosed with a specified critical illness while it was in place. It would also pay a monthly benefit if Mr H was unable to work for more than six months because of an accident or illness.

I've looked at the special conditions attached to Mr H's offer of the buy-to-let mortgage as these say that it was a condition of the loan that the borrower had '*proper provision for repayment of the loan in the event of death'.*

Having looked at Mr H's particular circumstances, I think that it was a prudent for him to look to protect his ability to repay the mortgage in the event that he was critically unwell or unable to work for more than six months. The mortgage offer indicates that he needed to have a form of life cover as a condition.

Although a plan providing a level sum assured would generally be more appropriate to protect an interest-only mortgage, the information indicates that Mr H was made aware of this but didn't want to make changes to the plan in place. Also, as the adjudicator has said, a level plan would have cost Mr H a higher monthly premium, so he hasn't been financially disadvantaged.

Mr H was able to keep paying the premiums for this plan until he decided to cancel it when he changed mortgage lender. I appreciate that he's told us it was difficult to maintain within his monthly costs. However, Mr H would have been aware of these costs from the outset as they were included on the plan information.

Mr H has also raised concerns about an existing medical condition he had and the effect of this on him being able to claim on the policy. However, that condition is noted in the information he gave to the advisor at the time about his medical history so Zurich was aware of it when providing him with the mortgage protection plan. This wasn't a condition that was covered by the critical illness element or that was specifically excluded from the monthly benefit element. I don't think that this particular medical condition would mean that Mr H wouldn't be covered by the plan if he had needed to make a claim on it.

my final decision

My decision is that I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr H to accept or reject my decision before 15 February 2016.

Cathy Bovan
ombudsman