

complaint

Mrs P and her daughter, Miss P, have complained about protection plans they were recommended by The Prudential Assurance Company Limited (“Prudential”) in 1992.

They say they were led to believe life cover had to be taken out as part of their mortgage application. They also say they were told they couldn’t take out one joint-life plan and had to take out two separate plans.

background

An adjudicator considered the complaint and felt it shouldn’t be upheld. He said the recommendations were suitable, that Mrs P and her daughter were given the option of separate plans, and that there was no indication they were told they had to take out cover with the mortgage.

Mrs P didn’t agree and made the following points:

- They went to Alliance Leicester for a further mortgage advance, not to buy insurance. At the time, even including the advance, they had over 50% equity in the property. Had the worst happened, the building society would not have lost any money, but they were still expected to take out insurance, in order to get the advance.
- They also feel that the policies should have just clearly stated Life Insurance, instead of Mortgage Protection, which they feel is something different, as the policy was not in fact, linked to the mortgage.
- Miss P had an existing life insurance policy, death in service and pension benefits. So she was adequately covered, but was never asked about this.
- In the event of Mrs P’s death during that time, there were some life policies, but her daughter would have sold up and downsized into something more convenient.
- They still feel that they were not given a free choice to put further insurance in place elsewhere, if absolutely necessary. They were also told that a joint policy was not possible for two women and were presented with the policies they had, as the only alternative. There was never any mention that these were the cheapest or that there had been quotes for any other options.

The adjudicator wasn’t persuaded to change his assessment of the complaint, and so I’ve now been asked to review everything afresh and reach a decision. Mrs P has also more recently asked a number of questions which I have 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. Having done so, I’ve reached much the same conclusion as the adjudicator – and I’ll explain why.

In reviewing this complaint I’ve taken account of everything provided by both parties, and as there are a number of points, I’ve focussed my decision upon those which I feel most important in reaching an outcome.

There are two key issues central to this complaint. They are whether it was a term of the mortgage application that life cover be put in place, and whether it was suitable for two plans to be sold to Mrs P and Miss P, rather than joint cover.

A considerable passage of time has passed since the protection plans were taken out in 1992, and so it's not possible to confirm exactly what happened with any certainty. But using the available documents from the time, along with the recollections of Mrs P and her daughter, I have a good understanding of what happened. Where evidence is missing or unclear, I've based my decision upon what I consider most likely to have been the case.

It's agreed that Mrs P and Miss P were taking out a repayment mortgage for £40,000 on a joint basis. The borrowing was to be paid over a 25-year term. Both Mrs P and Miss P took out decreasing term assurance plans for amounts and terms that matched the mortgage. The premium cost was £13.40 per month for Mrs P and £5.00 per month for Miss P.

The adviser who sold the policies to Mrs P and Miss P was a representative of Scottish Amicable, and so Prudential is now responsible for the sale of those policies. Prudential has highlighted that the sales documentation records that the policies were taken on an 'execution only' basis – which means no advice was given. This may be so and I can't be certain exactly what was discussed with the adviser in Alliance and Leicester. But I think it's clear the adviser gave considerable support to Mrs P and Miss P in relation to the plans.

At that time it wasn't uncommon for a lender to impose the requirement for life cover as a condition of a mortgage. It would've been entitled to do so as a commercial decision when making an offer. But in this case I haven't seen anything in the documentation from the time that indicates it was a requirement for Mrs P and her daughter to take out life cover. I know that they feel strongly about their recollection of this, but I'm not persuaded that was the case.

The further mortgage offer set out 'special conditions' which Mrs P and Ms P had to comply with as requested by the lender. In that section it didn't specify that life protection was needed. So I'm not persuaded it was stated that life cover was a condition of the lending.

Had the plans been sold as advised, rather than execution only, I can't say they were unsuitable. On the face of it the plans provided cover which matched the amount and term of the borrowing. Although Miss P says she held existing protection from employment, that doesn't necessarily mean a dedicated policy to clear the mortgage wouldn't be of benefit. Protection provided through work can change or end if employment changes.

Mrs P has said that cover wasn't necessary for her as if anything happened, Miss P could've sold and downsized. But having cover in place meant that wouldn't have been necessary and so provided a benefit.

A key issue for Mrs P and Miss P is that they were told a joint plan wasn't available, and they've raised concerns that two plans were sold to possibly generate more sales commission.

In circumstances such as those of Mrs P and Miss P there can be benefits to having separate cover. It provided the option to carry forward their protection individually if their circumstances had changed.

Although Mrs P has said she was expressly told that a joint plan wasn't available, the documentation from the time refers to a quote for a joint plan, but sole plans being taken out. Although I haven't seen a comparison of the costs, Prudential has confirmed that a joint plan would've been more expensive than single plans – and I agree that seems quite plausible.

And although Mrs P has raised concerns about the adviser getting more commission from two policies than one, that's not necessarily the case.

So overall, I don't think the sale of the life cover was advised, but the cover was suitable for Mrs P and Miss P's circumstances in any event. I realise my decision will come as a disappointment to Mrs P and Miss P, but I must assure them that I've considered everything from both parties impartially in reaching an outcome which I consider fair and reasonable.

my final decision

My final decision is that I don't uphold the complaint made by Mrs P and Miss P against The Prudential Assurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P and Miss P to accept or reject my decision before 13 October 2018.

Ross Hammond
ombudsman