



essential reading for
financial firms and
consumer advisers

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about this issue

This month, we look at how banking firms deal with customers who find themselves in financial difficulties. However these difficulties have come about, customers find the situation very worrying – especially if their lender fails to follow the principles of the *Banking Code*, which stress the need to treat these customers sympathetically and positively. Our article on page 3 outlines the types of complaint that are most commonly brought to us by customers in financial difficulties, and focuses on the guidelines firms should follow when dealing with these customers.

On page 10, we highlight the kinds of complaints that are referred to us about 'whole-of-life' plans. These are life assurance policies, designed to provide cover for the entire lifetime of the policyholder and – when the policyholder dies – to pay out a lump sum to their dependants. Increasingly, we are seeing cases where policyholders tell us the firm failed to explain that their plan was subject to 'reviews' that might result in the policyholder having to make substantially increased contributions, or accept reduced benefits. ➔

edited and designed by the
publications team at the
Financial Ombudsman Service

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In this issue we also we look at some of the complaints we have dealt with involving commercial insurance (insurance for companies or for an individual's business or trade). Our article on page 6 focuses on the circumstances where we think it fair and reasonable to apply the principles of the Association of British Insurers' *Statement of General Insurance Practice* to these complaints, even though – strictly speaking – the *Statement* only covers complaints about policies taken out in a personal capacity by private individuals.



services for firms and consumer advisers

our **external liaison team** can

- provide training for complaints handlers
- organise and speak at seminars, workshops and conferences
- arrange visits – you to us, or us to you.

phone **020 7964 1400**

email liaison.team@financial-ombudsman.org.uk

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in brief *news* in brief *news* in brief *news* in brief *news* in brief *news*

independent review of the ombudsman service

In issue 35 (February/March 2004), we promised to provide feedback from the independent assessment of our service being carried out by Professor Elaine Kempson from the Personal Finance Research Centre at Bristol University.

Professor Kempson's report – '*Fair and reasonable: an assessment of the Financial Ombudsman Service*' – was recently published and is now available on our website.

you can find the report at:

www.financial-ombudsman.org.uk/news/updates/2004-07-kempson.htm

1 banking: dealing with customers in financial difficulty

Financial difficulties can arise for a number of reasons. Customers may find they are unable to sustain the level of borrowing they have built up. Or the problems may have come about because of some unforeseen event – such as unemployment or illness.

Matters are often compounded by the sense of shame that many customers feel, even when their difficulties came about as a result of events that were entirely outside their control.

The types of complaint that are most commonly brought to us by customers in financial difficulty are where the lender:

- has been unnecessarily harsh in its approach to the debt;
- has been responsible for maladministration that adds to the debt problem; or
- has suggested a re-financing package that turned out to be inappropriate for the customer's circumstances, or more expensive than the customer expected.

The *Banking Code* identifies a lender's duties, when dealing with customers in financial difficulties. The over-riding principle (set out in section 13.10 of the *Code*) is that the lender will consider cases sympathetically and positively.

Where it appears that there is a problem (for instance, when payments are missed on a loan or credit card), the lender's first step will be to contact the customer. Clearly, if customers know in advance that they are unlikely to be able to make a particular payment, it will help if they tell their lender.

But some customers simply wait for their lender to notice missed payments – or perhaps hope that it will not do so.

The lender should always give the customer details of free and reputable advice agencies that could help. And if the customer decides to deal with the problem through an advice agency rather than direct with the lender, the lender should respect that decision and not press the customer direct. The lender should also accept that some customers prefer to communicate in writing rather than by telephone, or vice versa. Wherever possible, and provided that the customer stays in regular contact, the lender should use the customer's preferred means of communication. ❖

... the lender and the customer must work as a partnership.

... both lender and customer must keep to what is agreed.

Lenders should undertake to work with the customer in developing a plan to help overcome the difficulties. For the plan to be successful, the lender and the customer must work as a partnership. The more information that customers give their lender about their financial situation, the more likely it is that a workable plan will result. The lender will confirm any agreement in writing, and both lender and customer must keep to what is agreed.

When assessing what is a reasonable repayment, lenders can only look at what money is left over after the customer's priority payments have been met. Priority payments are those that – if left unpaid – would cause customers to lose their:

- home (payments such as mortgage, rent or secured loan payments);
- liberty (payments such as council tax, child support payments or payments due to the Inland Revenue); *and*
- utility supplies (payments such as water, gas and electricity).

Priority payments also include essential goods or services (such as food, payments on a cooker or fridge, and the cost of travelling to and from work).

To help work all this out, the lender is likely to ask the customer to complete a statement of income and outgoings. This will probably be in the form of the *Common Financial Statement*, developed by the British Bankers' Association in consultation with the Money Advice Trust. Some customers may feel that the questions they are asked are somewhat intrusive, but setting out their financial position in detail in this way is the first step to arriving at a solution.

Lenders must take into account whether the customer has other debts that need to be repaid, and they should not ask for repayments that are disproportionate to those agreed by other creditors. If the lender holds the current account into which the customer's wages are paid, it must not abuse its position by taking all the money that comes in.

Where the customer's problems are severe, the lender may suggest transferring the customer's account to a central department that specialises in dealing with payment problems. Many customers resist this suggestion initially, perhaps because they fear they will be stigmatised as debtors, particularly since some lenders' specialist departments have rather negative titles such as '*Debt Recovery*'.

However, these specialist departments are often able to make concessions that ordinary branches cannot, such as freezing interest, or reducing it. They may also agree nominal repayments, pending an expected improvement in the customer's financial situation.

In exceptional cases, where the customer's circumstances make it unlikely that they will ever be able to repay what they owe, a lender may consider writing off some or all of the debt. A lender is not obliged to agree to a customer's request to write off a debt, but it must – if asked – give its reasons for declining the request.

As well as working with the customer to find a realistic repayment plan, lenders must help by taking practical steps that will avoid making things worse. For instance, if the customer's account cannot support the direct debits and standing orders set up on it, the lender should offer to cancel them, rather than incurring charges on the account by repeatedly returning them unpaid.

The customer should be given full information about the implications of any payment arrangements – for instance, the effect on the customer's credit reference file. And once any repayment plan is agreed, lenders should not normally try to change it until the agreed review point. The only exception might be where there is an unexpected change in the customer's situation – for better or worse – that makes it appropriate to review arrangements ahead of time.

Where appropriate, the lender may suggest re-financing borrowings – for instance, by putting a high-interest overdraft on to a short-term loan, at a lower rate. But any new arrangements should be to the customer's advantage. The lender should not treat the situation as an opportunity to sell new financial products to someone who is already financially stretched. If the lender undertakes to advise about re-financing, it will be liable to the customer if its advice turns out to disadvantage the customer.

... lenders must take into account whether the customer has other debts that have to be repaid.

2 applying the principles of the Association of British Insurers' (ABI's) *Statement of General Insurance Practice* to commercial insurance complaints

The *Statement of General Insurance Practice* (the '*Statement*') is issued by the Association of British Insurers (ABI). It sets out normal practice for general insurance that is taken out, in a private capacity, by policyholders who are resident in the UK. It does not apply to commercial insurance (insurance for companies or for an individual's business or trade). Strictly speaking, therefore, the *Statement* cannot be taken into account when dealing with claims made under commercial policies. However, as this article explains, in certain circumstances we may consider it fair and reasonable to apply the principles of the *Statement* to disputes about commercial insurance that are referred to us.

Some aspects of insurance law are generally considered rather harsh when strictly applied to private individuals. For example, in its 1980 report, the Law Commission identified the following defects in the way insurance law dealt with a policyholder's failure to adhere to a 'warranty' (an undertaking made by the policyholder in connection with their policy):

- (a) It seems quite wrong that an insurer should be entitled to demand strict compliance with a warranty which is not material to the risk and to repudiate the policy for a breach of it.
- (b) Similarly, it seems unjust that an insurer should be entitled to reject a claim for any breach of even a material warranty, no matter how irrelevant the breach may be to the loss.'

It should also be noted that in the case of *Pan Atlantic Insurance Co Ltd v Pine Top Insurance Co Ltd [1994]* – which related to a commercial case of reinsurance – Lord Mustill said: '*These were no shorn lambs who needed the winds of the common law rule to be tempered*'. He did not specifically say so, but we have always assumed the reference to '*shorn lambs*' meant personal policyholders. The '*winds of the common law*' are '*tempered*' for them by the ABI's *Statement* but, as we have said, the *Statement* does not apply to commercial policyholders.

The rules under which the Financial Ombudsman Service operates state that we will determine a complaint by reference to what we consider to be '*fair and reasonable*' in all the circumstances of the case. In doing this, we take into account the relevant law, regulations, regulators' rules, guidance and standards, relevant codes of practice and, where appropriate, what we consider to be good industry practice.

... some aspects of insurance law are generally considered rather harsh when strictly applied to private individuals.

It does not always seem fair and reasonable to us to ignore totally the principles of the *Statement* when we look at commercial insurance disputes. Is it fair, for example, to say that a self-employed (sole trading) contractor should benefit from the protection given by the *Statement* when he insures his house contents, but not when he insures the tools he uses to carry out his job?

If the *Statement* represents ‘*normal insurance practice*’ then is it fair not to apply it to someone who takes out an insurance policy for their business or trade but who is, in essence, no different from a policyholder insured in a private capacity?

In assessing whether it is reasonable to apply the *Statement’s* principles to a commercial policyholder, we take into account the specific circumstances of the case. We look carefully at the nature of the policyholder’s business – and the resources available to it.

If the policyholder’s circumstances and, in particular, their likely understanding of the relevant insurance issues, appear to us to be similar to those of most private customers, then we would be more likely to think it appropriate to apply the principles of the *Statement*. This is especially likely if the dispute involves something that is commonly covered under personal insurance.

This situation might occur, for example, where a commercial policyholder was:

- self-employed (perhaps running a corner shop or a similar small business);
- lacking experience in financial and legal matters; *and*
- without easy access to expert advice on insurance matters.

We would normally consider a policyholder who uses an insurance broker to have the benefit of access to expert advice.

We are less likely to conclude that the principles of the *Statement* should apply if the commercial policyholder is:

- a limited company;
- employs a number of staff; *and/or*
- could reasonably be expected to have a greater understanding of business issues than a private individual.

Examples here could be policyholders that own or rent substantial business premises, employ large numbers of staff, or have detailed legal agreements with suppliers.

We also take into account the fact that some individuals who take out an insurance policy for their business may, because of their personal background, be far better informed about the law and what is required of them than the majority of people running a small business.

For example, on the face of it, it might seem appropriate to apply the *Statement’s* principles where someone sets up a small gardening business after their retirement, and takes out insurance for the vehicle they use for their new business venture. Certainly, there is probably little difference between that insurance and the insurance for any car owned and used in a private capacity.

Things might be different though if, before retiring, that individual had been employed as, say, the director of a large company, a solicitor, or an insurance broker. In such circumstances, we might think they ought

reasonably to have sufficient business/insurance acumen to mean that the principles of the *Statement* should not apply to their commercial insurance.

The following case studies both concern a ‘breach of warranty’ by a commercial policyholder, where we needed to assess whether it would be fair and reasonable to apply the principles of the *Statement*. The strict legal position allows an insurer to reject a claim if the policyholder was in breach of the warranty, even if that breach has not prejudiced the insurer’s position. This means that the insurer can turn down a claim even if the evidence shows that the insurer’s position was not prejudiced, or that the loss would still have occurred, whether or not the warranty was breached.

The *Statement* says that (unless fraud is involved), an insurer cannot reject a claim on the grounds of breach of warranty if the circumstances of the loss are unconnected with that breach. This means it is deemed bad practice for an insurer to reject a claim where the loss would still have occurred, even if the warranty had been complied with, or where its position has not been prejudiced by the failure to comply.

... the strict legal position allows an insurer to reject a claim if the policyholder was ‘in breach of the warranty’.

case studies – applying the principles of the Association of British Insurers’ (ABI’s) *Statement of General Insurance Practice to commercial insurance complaints*

■ 39/1 commercial policy – firm rejects claim for theft from café on grounds that policyholders breached warranty

Mr K and Mr L were business partners who ran a small café. One morning they arrived at the café to find that someone had broken in, stolen some cash and damaged the safe.

They put in a claim under their premises insurance but the firm turned it down. It told them this was because they had been in breach of the policy warranty, as they had left cash in the till overnight, had not fitted a specified type of lock on the café windows, and had not taken adequate security measures in relation to the siting of their safe.

The policyholders said that they had not been aware that their policy required them to comply with specific security requirements. They argued that these requirements were largely immaterial to the incident in question, since the thieves had entered and left the premises by breaking down the front door, not via the windows, and the till had only contained a small amount of loose change.

They insisted that they had done all that they reasonably could have done to leave the premises secure, and that the firm should therefore accept the claim. When the firm refused to reconsider the matter, Mr K and Mr L came to us.

complaint rejected: principles of the *Statement* not applied

In our view, the evidence made it clear that, regardless of whether the policyholders had complied with the security measures set out in the warranty, the thieves would still have gained entry to the premises. However, we thought that the thieves would probably not have been able to get into the safe. So although the loss would still have occurred, the amount lost would probably have been smaller.

If we applied the principles of the *Statement*, we might have decided that the firm should pay for the part of the loss that would still have occurred even if the policyholders had complied with the warranty.

However, we noted that the café employed four full-time staff and was run as a limited company. And although Mr K and Mr L told us they had no knowledge of legal and insurance matters, they clearly had access to expert advice because they had bought their policy through a firm of insurance brokers and that firm had represented them when they made a claim for the break-in.

We concluded that the nature of the business, and the resources available to the policyholders, meant that it would not be appropriate to apply the principles of the *Statement*. We therefore rejected the complaint.

.....

■ **39/2
commercial policy – firm refuses to accept claim arising from a legal action against the policyholder, on grounds of breach of warranty**

Mr C was a self-employed forestry consultant. While he was working on a large estate, a tree fell down and injured a third party. A few days later, Mr C heard that the third party was planning to put in a claim to the estate owner for the injuries caused by the fallen tree.

Nearly 18 months after that, the estate owner’s insurer told Mr C that it would be passing on to him the third party’s claim for his injuries. Mr C then contacted his insurer right away, but was shocked when it told him it would not meet the claim. It said that by waiting so long after the accident before contacting it, he had breached the condition in his policy that said he must notify it immediately, in writing, of ‘any occurrence which may give rise to a claim’.

It also argued that its position had been prejudiced by Mr C’s failure to notify it as soon as the accident had occurred. It said the delay meant it had lost the opportunity to obtain any evidence from the time of the accident that could have given it a better chance of successfully defending the claim.

3 investment: whole-of-life plans

complaint upheld: principles of the *Statement* applied

When Mr C referred his complaint to us, we noted that he was a self-employed contractor with no employees. His policy *did* require him to notify his insurer as soon as he became aware of any potential action being brought against him. However, we did not think it was fair or reasonable to have expected him to know he was potentially liable until this was spelt out to him, by the estate owner's insurer, nearly 18 months after the accident happened.


We concluded that this was a situation where a commercial policyholder was, effectively, in the same position as a private individual with a personal policy. It was appropriate to apply the principles of the *Statement* and we therefore upheld his complaint and required his insurer to deal with the claim.

.....

'Whole-of-life' plans are life assurance policies, designed to provide the policyholder with cover for their entire lifetime. The policies only pay out once the policyholder dies, when the policyholder's dependants will receive a lump sum, usually tax-free. Depending on the individual policy, policyholders may have to continue contributing to the plan right up until they die, or they may be able to stop paying in once they reach a stated age, even though the cover continues until they die. Some plans also offer cover for additional benefits, such as a lump sum that is payable if the policyholder becomes disabled or develops a specified illness.

Providers of 'whole-of-life' plans guarantee to pay out when the policyholder dies. However, crucially, they do not generally guarantee the amount they will pay out.

Typically, policyholders' contributions are invested and the life assurance benefits are 'purchased' from that investment fund. The fund's performance has a significant effect on the level of future benefits, although the firm will also take into account other factors, such as changing mortality rates and the possibility of reduced investment returns in the future.

The policy will usually have 'review' dates, when the firm will compare the value of the plan with the benefits it is to provide. This may result in the firm asking 

... providers of 'whole-of-life' plans do not generally guarantee the amount they will pay out.

policyholders to increase their contributions. Alternatively, the firm may say that the level of contributions can stay the same, but that it will pay out a reduced benefit when the policyholder dies.

In some of the complaints that are referred to us about whole-of-life plans, the sale of the policy was simply inappropriate in view of the customer's circumstances and requirements. But, increasingly, we are seeing complaints where policyholders say they did not know that the plan would be 'reviewed' in future and that the benefit levels could be altered. In looking at such complaints, we will consider whether, at the time of sale, the firm made it clear that the plan was subject to regular reviews and that these might lead to increased contributions or reduced benefits.

Depending on the particular facts of the complaint, it will not always be sufficient for a firm merely to say that it mentioned the potential for review in its product literature. Bearing in mind that the aim of the plan is to provide a given level of life assurance, the result of a review can be highly significant. There could be very important reasons why the policyholder needed life assurance at a certain level, such as to pay for an inheritance tax bill or other debt. So we may uphold complaints where the possible effects of plan reviews are not, in our view, made sufficiently clear or given sufficient prominence.

In some cases, we may also look at the fund into which the policyholder's contributions were placed, to see whether the level of investment risk was suitable for the policyholder.

case studies – investment: whole-of-life plans

■ 39/3 whole-of-life policy – as a result of review, firm tells customer to double his contributions or accept reduced benefits – whether firm gave adequate information about reviews and their possible outcome

Mr B took out a whole-of-life policy from the firm, as he wanted life assurance to help provide for his wife and family after his death.

Ten years after the start of his policy, the firm contacted Mr B to say it had reviewed the plan and that he would have to double his contributions or accept a significant reduction in the amount of life cover that the plan provided.

Mr B was shocked by this and he wrote to the firm to complain. He said that when the firm sold him the policy, it had not given any indication that it might subsequently reduce the amount of cover unless he paid increased contributions. The firm rejected Mr B's complaint, telling him that the possibility that the plan would be reviewed was outlined in the plan's terms and conditions.

complaint upheld

When Mr B brought his complaint to us, we found that he had been given several confusingly similar sets of product literature, only one of which applied to his particular plan. Some of the literature he had been given referred to the fact that premiums would be 'level' in the future and suggested that they could not be altered.

The possibility of plan 'reviews' was mentioned in one of the booklets that Mr B had been given. However, the information was not given any particular prominence and the significance of the reviews was not explained in any detail, or in what we considered to be a very understandable manner.

At the time of the sale, the firm's representative had written to Mr B, setting out why the whole-of-life plan had been recommended and giving a broad description of how the plan worked and of the benefits it provided. However, the letter did not mention that benefits could be altered in future or that increases in contributions were possible.

... he insisted that he had been 'guaranteed' a certain sum.

We therefore upheld Mr B's complaint. We said the firm should refund the contributions that he had made, and pay him an additional sum (less the cost of the life cover he had received) to compensate him for the loss of investment opportunity. (For more information about payments for loss of investment opportunity, see issues 33 and 37 of *ombudsman news*.)

.....

■ **39/4**
whole-of-life plan – whether firm 'guaranteed' that plan would provide cash sum

Acting on the firm's advice, Mr J took out a whole-of-life plan. He later told us it had been his understanding that the plan would provide a 'guaranteed' cash sum at a future date, as well as disability benefits and life assurance.

The plan did provide life assurance and disability benefits. However it did not 'guarantee' to provide a cash sum in the future; that was only a possibility if the plan's investment performance warranted it.

When Mr J complained to the firm, it confirmed that the sum was not guaranteed. However, it told him the literature it provided at the time of the sale was incorrect, in that it suggested that – at a given growth rate – a far higher sum would be provided than was actually

... he had not been told that the premium could increase, or the value of the cover decrease.

the case. The firm felt that this could have affected Mr J's decision to start the plan, so it offered him a refund of the premiums he had paid, plus interest. The plan would then be cancelled.

Mr J did not wish to accept this offer. He insisted that he had been 'guaranteed' a certain sum and that the firm should honour that guarantee. He also said that he did not wish to cancel the policy as he still required the life assurance and disability benefits. This was because he was still using the plan (of his own volition) to protect a mortgage he had subsequently taken out. He therefore complained to us.

complaint settled

We did not uphold Mr J's complaint that he had been 'guaranteed' any set sum. The literature made it very clear that any cash sum was dependent on investment performance and it explained that – in certain circumstances – no sum would be payable.

However, we did agree with the firm that the literature had probably misled Mr J and that he might have chosen to go elsewhere for his cover, or to spend his money in a different way, if the firm's literature had been more accurate.

We thought that the firm's offer had been reasonable. However, we suggested that as Mr J wished to keep the plan, the firm should allow him to do this but should also refund the premiums he had paid, plus a sum for loss of opportunity, less the cost of the benefits with which he had been provided to date. The firm agreed to do this.

■ **39/5 whole-of-life plan – whether sale of this product was suitable for customers' needs**

Mr and Mrs A, a couple in their 40s with two children, were sold a whole-of-life plan that provided life assurance in case one of them died. The money from the policy would then be used to support the surviving spouse and the children.

Several years later, the couple complained to the firm because they thought they had been sold the wrong product for their needs. The firm rejected their complaint. It said that the policy provided life assurance, which is what they had asked for. It also said that the policy offered 'flexibility', should the couple's needs change in the future. Mr and Mrs A were not convinced by this response and, still concerned that they had been sold the 'wrong' product – they came to us.

complaint upheld

The documentation completed at the time of the sale, together with what Mr and Mrs A told us, made the couple’s over-riding concern very clear. They wanted to ensure that, should one of them die while their children were still young, there would be enough money to support the children until they left university. The couple had not required any form of life assurance after that date and there was no evidence that they required ‘flexibility’. Mr and Mrs A’s needs could have been met more appropriately and cheaply if the firm had sold them a simple ‘term’ assurance policy ending at their anticipated retirement dates.

We upheld the complaint and said that the firm should pay the couple a sum to cover the difference between what they would have paid, had they been sold term assurance for the same sum assured as the whole-of-life plan and the amount they had paid, to date, for the whole-of-life policy.

We also said that the firm should provide Mr and Mrs A with term assurance – without requiring evidence of health – at the same premium as if they had been sold term assurance at the outset.

.....

■ **39/6**

whole-of-life plan – whether firm’s product literature gave clear explanation of plan reviews and their possible consequences

Several years after Dr K took out a whole-of-life plan with the firm, in order to provide life assurance, he was asked to increase his premiums.

He complained to the firm, saying that he had not been told before he bought the policy that it might be ‘reviewed’ and that the premium could increase or the value of the cover decrease.

When the firm rejected his complaint, Dr K came to us.

complaint rejected

We noted that plan ‘reviews’, and their possible consequences, were explained clearly and prominently in the terms and conditions of the policy. The letter that the firm’s representative had sent Dr K, outlining why the recommendation had been made, also stressed the possibility of reviews and their significance. We therefore rejected the complaint.

mortgage endowment complaints **a conference for smaller firms**

Manchester Conference Centre – 29 September 2004

The conference will address key issues relating to mortgage endowment disputes, including ‘suitability’ of the sale and the approach to redress.

Aimed specifically at smaller firms, dealing with relatively low numbers of complaints, the conference also provides the opportunity to discuss some of these issues informally with senior staff from the Financial Ombudsman Service.

For more information, look on our website *or* email your details to conferences@financial-ombudsman.org.uk *or* complete this form and return it to us.

The conference features:

- presentations by an ombudsman and other senior staff
- discussion groups on key mortgage endowment topics
- buffet lunch
- value for money – just £125 + VAT per delegate.

Please send information about the Manchester workingtogether conference:

name(s)

office
address

firm

phone

email

Please send this form (or a photocopy) to: Caroline Wells, Industry Relations Manager
Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR

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ask ombudsman news


complex calculations – establishing loss in cases of mortgage endowment mis-selling

Q *An IFA writes ...* I've just received my first mortgage endowment complaint. I've checked the regulatory guidance on the FSA's website, to see how I'm meant to work out any loss my client may have suffered. Can the ombudsman service give me any tips on carrying out the calculations?

A The FSA has told firms how they must calculate redress for mis-sold mortgage endowments. The rules that firms have to follow when handling these complaints are set out in Appendix 2 of the Complaints Sourcebook of the FSA's Handbook (but are often referred to by firms as 'Regulatory Update 89' or 'RU89').

Basically, redress is calculated by comparing the consumer's current financial position (taking the endowment policy into account) with what their position would be now if they had taken out a repayment mortgage at the outset instead. This calculation involves comparing the interest and premiums *actually paid* on the endowment mortgage with the interest and capital repayments that *would have been paid* on an equivalent repayment mortgage.

It also involves comparing the endowment policy's current surrender value with the amount of capital that would have been paid off with a repayment mortgage.

It is unlikely that a firm would be able to carry out these calculations manually – or just by setting up a simple spreadsheet. As well as applying 

the correct formulae, firms need access to the specific rates of interest that applied to particular mortgages over different periods of time.

A number of specialist companies have designed software to carry out these detailed and complex calculations. These companies supply their software under licence – and most will also run individual calculations as a 'one-off' service. You'll find more details about these commercial services if you type key words such as 'RU89 calculations' into an internet search engine.

finding out about the ombudsman service – information for insurance and mortgage intermediaries

Q My firm will soon come under the ombudsman service for the first time, when statutory regulation begins for the general insurance and mortgage sectors. How can we find out more about how the ombudsman service works?

A Take a look on our website at www.financial-ombudsman.org.uk/news/vj-events04.htm for details of the special events we are running around the country specifically for insurance and mortgage intermediaries. If you'd like to attend an event, just turn up on the day at the venue that's most convenient for you. You can also check out the resources and information for firms on our website at www.financial-ombudsman.org.uk