

The complaint

Mrs P has complained about building insurance premiums added to her mortgage account by Southern Pacific Mortgage Limited trading as London Mortgage Company (LMC) between 2011 and 2018. Mrs P says that she had her own insurance cover in place and provided LMC with details of this.

What happened

I will summarise the complaint in less detail than it's been presented. There are several reasons for this. First of all, the history of the matter is set out in detail in correspondence, and in the investigator's letter dated 9 March 2022. All parties have a copy of that letter, so there is no need for me to repeat the details here. Secondly, what happened really isn't in dispute, so I don't need to analyse the events in order to determine why a complaint has been made. Finally, our decisions are published, so it's important I don't include any information that might lead to Mrs P being identified.

Briefly, at the relevant time, Mrs P had a mortgage with LMC, taken out in 2007 with her husband, Mr P, and another party, both of whom have since passed away. In November 2020 Mrs P asked for a redemption statement. On receipt of this, Mrs P realised that LMC had added buildings insurance premiums to the mortgage account between 14 October 2011 and 1 October 2018 totalling £5,859.79. Mrs P complained about this. In its final response LMC said that the premiums had been charged because, despite requests, no evidence had ever been provided of any insurance cover. In 2018 LMC's policy changed and it no longer needed to see details of borrowers' own insurance cover.

LMC offered compensation of £100 for any confusion in the breakdown of figures, and later increased this to £200. LMC noted that Mr and Mrs P had mentioned buildings insurance to a field agent in 2016, but LMC hadn't noted this in its final response letter.

LMC decided to refund fees of £2,080 in relation to arrears, late payment and litigation fees, as a gesture of goodwill. Dissatisfied with LMC's response, Mrs P brought her complaint to our service. She wanted LMC to reimburse all buildings insurance premiums.

An investigator looked at what had happened. After doing so, she thought the complaint should be upheld. The investigator was satisfied that Mr and Mrs P had buildings insurance in place between October 2011 and 21 July 2018. She was satisfied LMC's notes had recorded that Mr and Mrs P had sent in at least one policy schedule. The investigator asked LMC to refund all premiums charged between 14 October 2011 and 21 July 2018.

LMC didn't accept the investigator's findings, arguing that the premiums had been correctly charged.

As the matter is unresolved, it falls to me to issue a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and

reasonable in the circumstances of this complaint.

Where the evidence is incomplete or inconclusive, I have to reach my decision on the basis of what I think is most likely to have happened, based on the evidence that is available. I've been provided with the mortgage account contact notes, but not the contact notes nor any records or documents from the separate department that dealt with buildings insurance. I am satisfied there was such a separate department, as it is mentioned in the mortgage contact notes. In the absence of any records from the insurance department, I have reviewed the documents LMC has provided, and reached my conclusion the basis of what that evidence (along with the evidence provided by Mrs P) shows.

I am satisfied that Mr and Mrs P asked several times why they were being charged buildings insurance when they had their own insurance in place. LMC queries why, given that it wrote to Mr and Mrs P about providing evidence of cover, there is no evidence of the schedules in its records. But I'm not persuaded the documents we've been provided with are a complete and accurate record of the account history, as stated above.

I note Mr P first told LMC that he and Mrs P had their own insurance in September 2012 and that LMC was told again about this after that, with Mr P stating he'd provided numerous copies of the documentation. In October 2015 the notes state that Mrs P told LMC that insurance shouldn't be charged and that she had the same conversation every year with LMC about this. Mrs P was told that she would have a callback about this. There is no record of any callback.

The account records also show that Mrs P was told in January 2017 that the insurance issue could easily be sorted out over the telephone. When Mrs P spoke to a field agent in 2018 it was noted that Mrs P confirmed she'd sent in the policy schedule in January of each year.

I can also see from the contact notes that there were a number of Income & Expenditure (I&E) records taken from Mr and Mrs P. I have not been provided with details of these, but I think it is more likely than not that these would have included a question about insurance premiums that would, or should, have alerted LMC that Mr and Mrs P already had their own insurance.

Taking all the above into consideration, and having seen evidence of the policies that were in place from October 2011 to 21 July 2018, I'm satisfied there was insurance cover in place. I'm also persuaded that it is more likely than not – based on the records with which I have been provided – that the policy documents were sent to LMC.

Putting things right

In the circumstances, I agree with the investigator that LMC should reimburse Mrs P for buildings insurance charged between October 2011 and 21 July 2018, and remove any interest applied to those premiums. I also note that LMC reversed fees of £2,080, separate from the insurance premiums (a full schedule of which has been provided to Mrs P). LMC was silent on whether interest on those fees has also been reversed, but the investigator clarified that this should be done, and I agree that this is fair and reasonable.

If the mortgage has not yet been redeemed, the account should be reworked to remove the premiums, fees and interest. If it has been redeemed, then payment of the relevant sum must be made directly to Mrs P.

LMC has also offered £200 compensation for trouble and upset, which I think is fair in the circumstances.

My final decision

My final decision is that I uphold this complaint. In full and final settlement Southern Pacific Mortgage Limited (trading as London Mortgage Company) must put in place the redress I have set out above.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any correspondence about the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 19 July 2022.

Jan O'Leary
Ombudsman