

complaint

Mr and Mrs S complain about the sale of a payment protection insurance (“PPI”) policy by Cheltenham and Gloucester Plc (“C&G”) when they took out a mortgage.

background

Mr and Mrs S took out a mortgage with C&G in 1996. At the same time they bought a PPI policy. It’s not clear whether this covered both of them, but for the purposes of this decision I’ve looked at both Mr and Mrs S’s circumstances at the time and have assumed the policy offered joint cover on a 50/50 basis.

The policy would’ve covered half of the mortgage repayments for up to 12 months at a time if either Mr or Mrs S hadn’t been able to work or were made redundant. If they were both off work at the same time their mortgage repayments would’ve been covered in full each month. There was also a small extra sum they would’ve been entitled to which could’ve been used to pay other necessary expenses.

Mr and Mrs S say they didn’t want or need the policy, but they were told that they had to have it to get the mortgage. They say neither Mr nor Mrs S gave their consent to buy it.

The adjudicator didn’t think Mr and Mrs S’s complaint should be upheld. Mr and Mrs S disagree, so it’s been passed to me to make a decision.

my findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint. We’ve set out our general approach to complaints about PPI on our website and I’ve taken this into account when deciding this case.

It’s nearly 20 years since this policy was sold, so unsurprisingly there is very little information available about the sales process. Both parties agree that the policy wasn’t recommended to Mr and Mrs S and no advice was given about it. However, C&G still needed to make sure Mr and Mrs S had enough information to decide whether to buy it.

Mr and Mrs S have been consistent in their testimony that around the time they applied for their mortgage Mr S received a call whilst he was at work. He was in a public area and in a hurry so he didn’t want to talk for long. Mr and Mrs S say at that the C&G representative told Mr S that if he wanted to have his mortgage approved he would need to buy the PPI too. Mr S wasn’t in a position to talk about it so he asked the representative to call Mrs S. Mr and Mrs S say that this call to her never happened, but they still ended up with the PPI.

C&G say that it was never a condition to have PPI before a mortgage would be approved and that Mr and Mrs S would’ve been given a choice about whether they bought it.

There’s little other evidence which would help me understand what went on in these particular circumstances. But I’ve considered what Mr and Mrs S have told me about their memories of the sale and I’ve also taken into account what I know of C&G’s sales practices around the same time.

It's not even clear how the mortgage itself was sold. I've seen documents which suggest the mortgage was sold in a face to face meeting, but there's nothing about PPI in these documents. But I believe there would've been several points of contact with C&G throughout the process, especially as Mr and Mrs S were buying a new home rather than just re-mortgaging. So if the conversation had happened as Mr S remembers I think there'd have been more contact with C&G before their mortgage completed and their PPI policy started.

Mr and Mrs S received a mortgage offer in writing. I've looked at this and I can't see any reference to PPI being part of the special conditions, so I think Mr and Mrs S would've realised from this that it wasn't an essential part of the loan deal.

I think even if C&G had tried to sell the PPI to Mr S over the phone in the way he says they did that this conversation wouldn't have been the end of their contact and therefore there would've been opportunity to review and question anything that Mr S was told in that initial conversation. Indeed, I can see from some notes that C&G were able to provide that there were many contacts between the couple and C&G during the course of the mortgage application process. And there's nothing in the loan assessment that C&G made of Mr and Mrs S's mortgage application which suggests they were told that they had to have PPI.

I appreciate that considerable time has passed since that conversation and that memories may have faded about the exact circumstances of the sale. But I don't think it's likely that the PPI would've been added without Mr and Mrs S's consent as a result of this call. I think it's more likely that something else happened as part of the sales process for the mortgage. I think that Mr and Mrs S would've been careful to check the paperwork relating to the mortgage to see what it said about the PPI if they hadn't received the promised follow-up call to Mrs S and they didn't want to buy the policy. So I can't safely say that the policy was sold to them without their permission.

C&G have only been able to provide the policy document from the sale. It's not known what information Mr and Mrs S were given about the policy, so it's possible they weren't told everything they needed to know. But I don't think more information would've made a difference to whether they bought the policy. I say this because:

- Mr and Mrs S were both eligible for the policy. And I haven't seen anything to suggest that either of them would've been affected by any of the main terms or exclusions, such as those relating to existing medical conditions or self-employment;
- Mr and Mrs S say that they both would've received full sick pay followed by statutory sick pay. But they don't say how long that full sick pay would've been paid for. Statutory sick pay is paid as part of contractual sick pay and in 1996 would've been for a maximum of 28 weeks. So it's likely Mr and Mrs S would've only had full sick pay for up to six months. The policy would've paid out in addition to this and for a lot longer, so I think it offered them a useful benefit;
- Mr and Mrs S weren't entitled to any contractual redundancy pay. They say they had some savings and that in any case the other one would've still been working if one of them was made redundant and could've covered the mortgage payments. But it's not known how much they had in savings and I think they'd have needed to use these to cover other essential expenses if one of them was unemployed. If either one of them lost their job I think they'd have found it very difficult to meet the repayments as well as their other expenses on one income alone.
- The policy offered reasonable value for money and from what I know of Mr and Mrs S's circumstances I don't think it was unaffordable for them;

- As it was a regular monthly premium policy Mr and Mrs S could've cancelled the insurance at any time without a financial penalty.

For these reasons I think even if Mr and Mrs S had received all the information they needed, they still would've bought the policy. So I don't think Mr and Mrs S have lost out as a result of anything C&G might've done wrong.

my final decision

I'm not upholding Mr and Mrs S's complaint and so it follows that Cheltenham and Gloucester plc don't have to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 10 July 2015.

Sally Allbeury
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