Financial Ombudsman Service

## complaint

Mrs R complains she was mis-sold a decreasing term assurance policy by HSBC Bank PLC, formerly Midland Bank (HSBC).

Mrs R says she was advised the mortgage protection plan (MPP) was compulsory. She felt this was unnecessary as her husband was self-employed.

## background

One of our adjudicators investigated Mrs R's complaint and recommended that the complaint shouldn't be upheld. In short our adjudicator found:

- The cover wasn't Payment Protection Insurance (PPI).
- The decreasing term assurance wasn't an unsuitable recommendation.
- Suitable life cover was a condition of the mortgage.
- Whilst the policy included life cover it didn't include cover for illness or hospitalisation.

Mrs R disagreed with the conclusion of the adjudicator. In an email dated April 2015 she maintains:

- The policy wasn't explained properly. If it was she might have gone with a "full life cover".
- She was advised life cover was a condition of the mortgage.
- She believes it's illegal to insist policies were taken out.

As no agreement has been reached the complaint was referred to an ombudsman for review.

## my findings

I've considered all the available evidence and arguments from the outset, in order to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I broadly agree with the conclusions of the adjudicator and for the same reasons.

HSBC say this isn't a PPI policy owing to the long-term nature of the plan. I appreciate there may have been some confusion. A decreasing term assurance is a distinct product. In this case the policy would've paid off the outstanding mortgage balance in the event of death within the term of the policy. On the other hand, a PPI contract is usually designed to provide a monthly benefit equal to the payments made for a financial product in specific circumstances where customers are unable to meet their outgoings. Therefore I'm satisfied this is not a PPI policy.

Mrs R (and her late husband) were recommended a decreasing term assurance policy to run alongside their mortgage in the sum of £40,000 in August 1997, with a £45 monthly premium (approximately), until August 2006. It matched the term and value of the loan and the level of benefit would reduce in line with the plan until the end of the policy. If Mr or Mrs R were to die within the term of the policy, it would pay the outstanding balance on the mortgage.

This type of policy was designed to remove the necessity of the lives assured's surviving spouse or family to rely upon other sources to repay borrowing and to ensure the retention of the family home. I'm therefore satisfied that in the circumstances a decreasing term assurance policy was a suitable recommendation for Mr and Mrs R.

HSBC says due to the passage of time it's not been possible to locate the original 1997 sale file. However it confirms that prior to late September 2000 HSBC was only prepared to undertake a mortgage agreement subject to certain criteria. One of the conditions of offering a mortgage agreement was the requirement to have suitable life cover in place. I'm satisfied this requirement wasn't against the law. It was a commercial decision that HSBC were entitled to make.

HSBC says Mrs R was free to take cover through any provider of her choice. There was no requirement to take out any cover through HSBC. It says Mrs R wasn't obliged to accept the mortgage offer and she could've approached any lender. Having regard to the available evidence, I'm satisfied the decreasing term assurance policy was a condition of HSBC approving the mortgage. I don't think it was unreasonable for it to want to protect its financial interest by insisting on a policy protecting Mr and Mrs R's mortgage in the event of a death.

Having regard to the mortgage protection plan – schedule dated September 1997, provided to Mr and Mrs R at the point of sale I'm satisfied they reasonably ought to have known the policy was for a limited period of time and not for whole of life.

I note that that Mrs R's husband sadly fell ill and died and that this was outside of the period of cover. As a result of which Mrs R was unable to make a successful claim on the policy. I note Mrs R says she may have gone for what I interpret is a "whole of life" policy. However, whilst I would offer my sincere condolences to Mrs R, for the reasons above, I'm satisfied a decreasing term assurance policy was a suitable recommendation for the specific purpose of protecting the mortgage at the time.

## my final decision

For the reasons that I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs R to accept or reject my decision before 10 July 2015.

Dara Islam
**ombudsman**