

complaint

Mr and Mrs S complain that London and Country Mortgages Ltd ('LCM') mis-sold payment protection insurance ('PPI') to them alongside a mortgage.

background

The PPI cover that Mr and Mrs S bought was set up to cover Mrs S only. This was a regular premium policy, so they paid for it on a monthly basis.

The crux of Mr and Mrs S' complaint is that they say they weren't told the cover would end when they repaid their mortgage. They say they thought they'd bought a freestanding income protection policy. Our adjudicator didn't think this complaint should be upheld. Mr and Mrs S disagreed with that view. As the parties are not in agreement with our adjudicator, the matter has been passed to me to make a final 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 the sale of PPI on our website and I've taken that into account in deciding this case.

I am grateful to Mr and Mrs S for their cogent and diligent pursuit of this matter. I am sorry to disappoint them, but after considering all of the evidence before me, I haven't upheld this complaint. I'll explain why below.

The parties agree that the PPI was initially discussed with Mr and Mrs S over the telephone. They subsequently completed a postal application. I haven't been given a recording of the telephone call, which isn't unusual given the length of time that's elapsed since the sale. Even if there was a recording, I wouldn't expect it to be retained for so long. That means I can't know what was said during the call. To help me decide what's likely to have happened, I've looked at what Mr and Mrs S remember about the sale. And I've also considered the paperwork that is available from the time.

The first thing I've considered is whether Mr and Mrs S would have known the PPI was optional and they didn't have to take it out if they didn't want it. Mr and Mrs S agree that they knew they had a choice about buying this cover. I've still looked at the correspondence and I agree that it would have been clear they had a choice.

From the paperwork, I can see that LCM didn't advise Mr and Mrs S to buy this cover. But it still had to make sure they had enough information about the PPI so they could decide for themselves whether it was a good fit for their needs. We'd expect LCM to have pointed out the significant exclusions and limitations of this PPI policy – the factors that would generally affect a person's choice to buy the cover.

As I said above, a significant ground of Mr and Mrs S' complaint is that they say LCM didn't tell them that the cover was linked to their mortgage – so if they paid off the mortgage they wouldn't be able to make a claim. They told us that this isn't what they thought they had bought as they wanted a policy to cover their income in the event that Mrs S had to take time off work. I don't doubt that what Mr and Mrs S told us is what they honestly remember about the sale. But with respect to Mr and Mrs S, I think it's reasonably clear from the paperwork

that the policy is linked to a mortgage. It shows that they were buying a policy to cover their mortgage repayments (rather than their income) in the event that Mrs S couldn't work or lost her job. It follows that I think the person selling the cover would have also made that clear to them

I say this because looking through the key facts information, the policy is called 'FreeStart Mortgage Payment Protection Insurance' and the first numbered paragraph indicates that cover is to help protect mortgage payments and other household costs. Mr and Mrs S say that they were covered for 125% of their mortgage payment, so they thought it was an income protection policy. But the key facts information says on the first page that the expenses to be covered could be the mortgage payment, life, buildings and contents insurance. Taking the key facts document as a whole, I think it's reasonably clear that the cover would have been linked to their mortgage repayments and associated necessary costs, not to their income.

I've also been given an email that Mrs S sent to LCM at around the time of the sale. In that message, she enquired about having cover based on one person for '100% of the mortgage payment' (my emphasis). Taking the evidence in the round, I think it would have been clear that the PPI was linked to the mortgage. And Mrs S' email suggests that she and Mr S were aware of this at the time. I can see why they don't remember this now given that the policy was sold over ten years ago. I accept that it's difficult to recall precisely what happened such a long time ago.

Although I'm satisfied that Mr and Mrs S would have reasonably known that the PPI was linked to the mortgage, in the absence of a call recording, I accept it is possible that LCM didn't tell Mr and Mrs S everything it should have done about the cover. So the question for me now is whether they would have acted differently if they'd been given all the right information. To help me decide what they're likely to have done, I've looked at the terms and conditions of the cover. I've also thought carefully about what they told us about their personal circumstances at the time.

At Mr and Mrs S' request, the cover was set up only for Mrs S and she'd have been covered if she lost her job or if she was too unwell to work. I can see that if she'd had to make a claim, a monthly benefit of £908.58 would have been paid for a maximum of 12 months for each claim.

Mr and Mrs S told us that if Mrs S had become unwell, she'd have received six weeks full pay and six weeks half pay. So it is clear that the PPI would have paid out for longer than her full sick pay would have lasted.

Mr and Mrs S told us that they had substantial savings that they could have relied on if Mrs S was out of work. I accept that they had savings – but Mr and Mrs S have accepted that they wanted some type of cover. So it looks as though they wanted to keep their savings intact. With PPI, they could have also used those savings towards their other essential expenditure at what would have no doubt been a very stressful time for them if Mrs S was out of work.

I've seen evidence of Mr and Mrs S' income protection policy. I've thought carefully about whether this could have affected their decision to buy PPI. After doing so, I don't think it would. I can see there was a deferral period of 26 weeks for this policy. And so there would have been a period of time after Mrs S' full sick pay ended and the income protection policy started. And comparing the benefit of this income protection policy to Mrs S' salary, I think it

would have paid out considerably less. It's not clear to me whether it would have been enough to even cover the mortgage payments, let alone Mr and Mrs S' other expenses.

Mr and Mrs S told us that Mrs S was in good health at the time they bought this cover. So I don't think they'd have been affected by any of the policy's exclusions about medical conditions. I haven't seen anything unusual about Mrs S' employment circumstances that would have affected her ability to make a claim if she needed to.

It appears the policy would have been affordable at the time that Mr and Mrs S were sold PPI cover. I'm aware that they've raised an issue about the cost of the premiums after it was sold. This is not something I can consider against the seller of the PPI. If they remain unhappy about the cost of the premiums, this would be something they would have to raise with the insurer in the first instance.

With all of this in mind, I don't think more or better information about the insurance would have put Mr and Mrs S off buying the PPI policy. I've set out above how it could have been useful for them. They accept they chose to take a policy out and so it appears they wanted this type of cover. It follows that I haven't upheld the complaint about the mis-sale.

I'm sorry to disappoint Mr and Mrs S, but for the reasons set out above, I haven't upheld their complaint.

my final decision

I don't uphold this complaint about London and Country Mortgages Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 1 September 2019.

Nicola Bowes
ombudsman