

## **complaint**

Mrs G has complained that Yorkshire Building Society, trading as Norwich & Peterborough Building Society (YBS) mis-sold her a mortgage payment protection policy (MPPI).

## **background**

Mrs G took out the MPPI at the same time as she took out a mortgage in 2006. It covered Mrs G for accident, illness and unemployment. The policy cost £31.37 per month. If Mrs G had successfully claimed on the policy it would have paid out £536.58 per month. Our adjudicator upheld this complaint. YBS didn't agree so the case has been passed to me for a final decision.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

We have set out our general approach to complaints about the sale of PPI on our website and I have taken this into account in deciding Mrs G's case.

I have decided to uphold Mrs G's complaint.

As it recommended Mrs G buy the MPPI YBS had to take reasonable steps to make sure it was suitable for Mrs G. And it had to tell her everything she needed to know in a way that was clear, fair and not misleading.

I don't think that the MPPI was suitable for these reasons:

- Prior to taking out the MPPI Mrs G had suffered from certain medical conditions and had received treatments for them. YBS says that most of these wouldn't have been considered to be pre-existing medical conditions (PEMC) due to how long ago Mrs G had them. However, looking at the policy, I am satisfied that all of her conditions met the definition of PEMC.
- The MPPI would not have paid out for any PEMC that persisted or returned during the first 12 months of the MPPI. So Mrs G couldn't have made a successful claim during the first 12 months of the policy if one of her medical conditions recurred. This was a significant exclusion. Also, as a result of her age, Mrs G only had 5 years in which she could have claimed on the policy at all. So the possibility of losing 12 months' cover was an important issue.

So YBS should either not have recommended the policy to her, or explained how its recommendation was not entirely suitable, so that she could make her own mind up about buying the policy.

YBS says that Mrs G got written information at the time of sale about the relevant exclusions so was in a position to make an informed choice. Although that information was referred to in the application form for the MPPI, it was not set out in it. I can't say when, if ever, Mrs G read it. So, I don't accept this shows Mrs G was told about the aspects of the policy that were unsuitable. Nor does it show that she would have gone ahead with the MPPI without the recommendation.

YBS has referred to an email in which Mrs G says that PEMCs were explained to her. I think this stems from a conversation with the advisor about her own medical conditions. But it doesn't follow that YBS went on to advise Mrs G properly about why the exclusion might make the MPPI unsuitable for her. Mrs G has said that she wasn't told this. And the YBS hasn't provided any evidence about the verbal information they obtained and gave, or any qualification they placed on their advice. So I believe what Mrs G has said in her PPI questionnaire, which is that the exclusion wasn't pointed out.

As I have said, I think the exclusion for pre-existing medical conditions was significant in Mrs G's circumstances. Overall, I don't think that Mrs G would have bought the MPPI without YBS's recommendation.

So I think Mrs G lost out because of what YBS did wrong.

### **fair compensation**

YBS should put Mrs G in the position she'd be in now if she hadn't taken out MPPI. The business should:

- Pay Mrs G the amount she paid each month for the MPPI
- Add simple interest to each payment from when she paid it until she gets it back. The rate of interest is 8% a year<sup>†</sup>.
- If Mrs G made a successful claim under the PPI policy, YBS can take off what she got for the claim from the amount it owes her.

<sup>†</sup> HM Revenue & Customs requires YBS to take off tax from this interest. YBS must give Mrs G a certificate showing how much tax it's taken off if she asks for one.

### **my final decision**

For the reasons set out above, I uphold this complaint.

The Yorkshire Building Society should pay compensation in line with the instruction set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs G to accept or reject my decision before 9 July 2015.

Alison Miller-Varey  
**ombudsman**