

## **complaint**

Mr L complains that Newcastle Building Society mis-sold him a regular premium Mortgage Payment Protection Insurance ("MPPI") policy when he applied for a mortgage in August 1992. He complains that the insurance was a compulsory part of the lending and that he had no need of the cover that it provided.

## **background**

Mr L's complaint has been assessed by an adjudicator who has recommended that it should not be upheld. Mr L disagrees and has asked, as he is perfectly entitled to, that the complaint should be decided by an ombudsman.

## **my findings**

I have carefully considered all of the available evidence and arguments from the outset, in order to decide what is fair and reasonable in the circumstances in accordance with our general approach to considering complaints about the mis-sale of PPI, which is well documented. I have also taken into account the law, any relevant regulatory rules and good industry practice at the time the policy was sold.

In essence, the questions I need to consider are:

- if any advice or recommendation was given, whether the product was suitable for Mr L's needs; and
- whether Newcastle BS gave Mr L information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying.

If I conclude that there were shortcomings in either of the above, this will not necessarily result in me finding in favour of Mr L. I would also need to find that Mr L had acted differently – and to his detriment – as a result.

First I have considered the basis on which Mr L was sold the insurance.

Mr L applied for his mortgage (and MPPI) during a meeting with Newcastle BS. He says that he was provided with advice, or a recommendation, on the insurance by Newcastle BS since he was told that it was compulsory to take the policy. Newcastle BS says that it only provided information on the insurance.

Newcastle BS agrees that the insurance was a compulsory part of the mortgage product taken by Mr L. So, I think it unlikely that Newcastle BS would have needed to provide Mr L with advice, or a recommendation, on the insurance – he was simply told he must take it as a condition of that mortgage product. So, I consider it most likely that the sale took place on an information only basis.

As a result, Newcastle BS did not need to ensure the policy was suitable for Mr L's needs – that was essentially a decision he needed to make for himself. Newcastle BS was however responsible for ensuring that it gave Mr L clear, fair and not misleading information on which he could base his purchasing decision

Next I have considered whether Mr L was given a choice in whether or not to take the cover.

It appears from the mortgage offer, and from Mr L's recollection of the sale, that taking the MPPI was compulsory. So I need to consider whether Newcastle BS was entitled to make it so. In my view, it was – it is for the lender to decide the terms on which it is prepared to lend, and such a practice is not prohibited. I would also add that, as I understand it, MPPI was not compulsory in respect of all the mortgage products Newcastle BS offered, just that it was compulsory in respect of the capped rate product that Mr L decided to purchase. And I understand that Newcastle BS had other mortgage products where cover was not compulsory but where the interest rates charged were not capped or fixed, and hence Mr L's costs would be less certain.

So, it seems to me that it is likely that Mr L was aware of the need to take the MPPI as a compulsory part of his mortgage and accepted this condition when completing his application. He could have, if he had wanted, chosen an alternative mortgage product and declined the cover.

Finally I have considered whether Mr L was given appropriate information on which to base his decision to purchase the policy.

At the time of the sale, Mr L appears to have been eligible for the cover provided under the policy. He has told us he was not suffering from any pre-existing medical conditions and he did not have any indication of impending unemployment and so he would not appear to have been affected by any of the significant limitations or exclusions of the policy in those regards.

This policy, in the event of a successful claim, would have paid Mr L a monthly benefit broadly equal to his mortgage costs for up to 12 months in the event of him being unable to work due to accident or sickness, or him being unemployed. If Mr L had been unable to work due to sickness he would have received six months full pay followed by six months half pay. Mr L has told us that otherwise he might have used some savings to help make his repayments. However the policy benefits would have been paid irrespective of any other means available to Mr L so the policy might therefore have provided an additional method of helping him to meet his monthly repayments for a loan secured on his home and might have proved useful at a difficult time.

Newcastle BS says the policy information would have been made available to Mr L in an accompanying leaflet for him to consider whether he needed the benefits offered by the policy. I clearly do not know if Mr L received, or read, this leaflet. It is therefore possible that this provision was insufficient to draw the key features of the policy to Mr L's attention. However I do not consider a failure in this regard would have made him act differently. The information would have simply shown him that the policy benefits were competitive in the market, he wasn't affected by any of the main limitations or exclusions and that the policy might have been useful to him.

The cost of the insurance was shown to Mr L on his mortgage offer, although this may not have been received until after he had decided to take the mortgage product and hence the MPPI cover. However given that I am satisfied that Mr L chose to take the mortgage product, and therefore the compulsory insurance - and he did not expect the cover to be free - I'm not persuaded that better information about the cost would have changed his mind about going ahead given the benefits that the policy could have provided to him and the enhanced terms of the mortgage lending.

In summary, while appreciating that with the benefit of experience and hindsight Mr L might not make the same decisions about his mortgage and hence the purchase of the insurance today, I am not persuaded that the policy was mis-sold by Newcastle BS. The policy was suitable for his financial situation, and he was not disadvantaged by any of the conditions or limitations of the policy. As such I am satisfied that Mr L would not have made a different decision, at the time, about purchasing the insurance even if he had been presented with clearer or more transparent information by Newcastle BS.

**my final decision**

For the reasons given above, I do not uphold the complaint or make any award against Newcastle Building Society.

Paul Reilly  
**ombudsman**