

The complaint

Mr and Mrs M have complained that Nationwide Building Society mis-sold them a mortgage payment protection insurance (PPI) policy.

What happened

Mr and Mrs M took out their original mortgage in 1980 and did not buy PPI at that time. It was in 1991 that they were sold PPI alongside a further advance on the mortgage. Although it was a joint mortgage, the policy was set up just to cover Mr M.

Nationwide didn't agree that the policy had been mis-sold. However, it did offer a refund of premiums to the value of £53.49 due to Mr and Mrs M being slightly over-insured.

Our adjudicator didn't uphold the complaint. Mr and Mrs M disagree with the adjudicator's opinion and so the complaint has been passed to me for a decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr and Mrs M say they didn't know they had PPI, meaning it was added without their knowledge or consent. But they say they did know they had a policy that covered sickness and unemployment but didn't think that was the same as PPI. I can confirm that the mortgage PPI protected their monthly repayments in the event of accident, sickness or unemployment. So I think it's likely they knew they had the payment protection insurance but just didn't know it was referred to as PPI.

They say that if they had known about the policy, they would have used it on at least one occasion. Nationwide has provided information that Mr M requested a claim form in 2003, although it doesn't look like he went on to make a claim at that time. But requesting the claim form demonstrates an awareness of the policy.

Mr and Mrs M took out the policy in 1991, after the mortgage had been running for a number of years. So I doubt they'd have thought that it was a condition of the lending.

From what we know of Nationwide's sales process at the time, the policy would normally have been presented as optional. And I haven't seen anything that would lead me to conclude that something different happened in this case.

I've thought very carefully about what Mr and Mrs M have said. I've no doubt that they have provided their honest recollection of events. However, the sale was a long time ago and so it wouldn't be surprising if their memories have faded.

On balance, I consider that Mr and Mrs M probably decided to buy the PPI, knowing that they didn't have to, even if they no longer remember doing so.

As this was a non-advised sale, Nationwide didn't need to ensure that it was suitable for Mr and Mrs M. But it did need to provide sufficient information about the policy for them to be able to make an informed choice about whether or not it was right for them.

I think they would have known something about the PPI – that it would cover their mortgage repayments if Mr M was unable to work – because I doubt they'd have decided to buy it without knowing anything at all about it. And I also doubt they'd have thought it was free.

Mr and Mrs M say they can't remember seeing a cost for PPI on their mortgage account, so it must have been a hidden charge. Again, it was a long time ago and I wouldn't expect them to recall details of a mortgage that was redeemed in 2003. I can confirm that I've seen their mortgage statements for the period 1999 to 2000 and each of the three annual statements sets out the PPI charge for that year and what the monthly cost will be in the following year.

Mr M would have received some sick pay from his employer. But the policy would have paid out in addition to any sick pay and potentially for longer than Mr M would have received full pay for. They say that their parents would have helped out financially. But having the policy would have avoided the need to ask family to pay their mortgage for them.

Overall, it seems to me that Mr and Mrs M had a need for the policy and could have benefitted from it at what would have been a difficult time.

It's possible that Nationwide didn't provide as much information as it should have about the policy, particularly about the things that it didn't cover. But Mr M wasn't affected by any of those things. For example, he didn't have a pre-existing medical condition that might have been excluded under the policy terms. As I consider that Mr and Mrs M had an interest in the policy and decided to buy it, I don't think that further information would have caused them to change their minds. So, they are no worse off as a result of anything Nationwide may have done wrong, so there's nothing Nationwide needs to do to put things right. It follows that I do not uphold the complaint.

I consider that the part-refund of premiums for being slightly over-insured was a fair and reasonable response to Mr and Mrs M's complaint.

My final decision

For the reasons set out above, I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 20 September 2023.

Carole Clark
Ombudsman