

The complaint

Mrs H complains that Stonehaven UK Ltd trading as Canada Life delayed the redemption of her lifetime mortgage until it was satisfied with the source of the funds she intended to use to repay. She's represented in this complaint by her friend Mr P.

What happened

Mrs H had a lifetime mortgage – a form of equity release – with Canada Life. Mrs H decided to repay her mortgage using funds given to her by a friend, who I will call Mr P.

Mrs H contacted Canada Life to inform it of her intention to repay her mortgage and paid the redemption sum on 28 October 2022. Canada Life asked her to provide evidence of the source of the funds used to repay the mortgage. Mrs H said that she had been given the money by a friend, Mr P, so Canada Life asked Mrs H to provide evidence from Mr P of the source of the funds used.

Mrs H said that Mr P wasn't comfortable giving his personal financial information to Canada Life, a company he wasn't a customer of and with which he had no relationship.

Canada Life explained that without satisfactory evidence of the source of the funds used to redeem, it wouldn't be able to accept the redemption payment and would return it to Mrs H. But it said that if she was able to provide acceptable evidence it would backdate the redemption payment to 28 October, ensuring Mrs H wasn't charged additional interest because of any delay. Canada Life said it had an obligation to satisfy itself that funds it received were from a legitimate source, and it simply required bank statements or similar from Mr P.

Mr P, on Mrs H's behalf, complained. He said Canada Life was unreasonably delaying the redemption of her mortgage. The information it had asked for wasn't necessary and amounted to an invasion of Mr P's privacy and a breach of data protection regulations.

Canada Life said that as the money used to redeem the mortgage had been transferred to Mrs H on the same day as she used it to pay Canada Life, it had an obligation to satisfy itself of the ultimate source of the funds. It offered various options, including Mr P providing the evidence directly rather than via Mrs H. And it said he could do so by sending in the evidence, by showing it to a member of Canada Life staff in person or on a video call, or by showing it to a third party such as a solicitor who could attest to the information provided.

Mr P said that the regulations Canada Life relied on related to a firm's relationship with, and funds received from, its customer. He was not its customer and therefore he was not obliged to provide, and Canada Life had no right to insist on the provision of, his personal financial information. He said that if Canada Life had any concerns about the source of the funds it should report those concerns to the relevant authorities not simply return the funds – that it had not done so showed that it had no reasonable concerns and should accept the payment without further delay. But Canada Life wouldn't progress the redemption without evidence.

Mr P provided satisfactory evidence by showing it to a member of Canada Life staff on a

video call in early February 2023. The mortgage was redeemed as a result, with the redemption being backdated to 28 October.

Mrs H and Mr P weren't happy that Canada Life had insisted on seeing Mr P's personal financial information, and continued with this complaint.

Our investigator thought Canada Life had acted reasonably, so Mrs H asked for an ombudsman to make a final 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.

I see this was originally a joint mortgage between Mrs H and her late husband, but that he passed away in 2021. I hope Mrs H will accept my condolences on her loss.

Following the bereavement, the mortgage continued in Mrs H's sole name. In 2022, Mrs H decided to repay the mortgage in full, doing so using funds given to her by a third party – Mr P.

Mrs H asked for a redemption statement from Canada Life, and it told her how much she would need to repay. It asked Mrs H for evidence of the source of the funds she was using to repay – Mrs H provided a bank statement showing that she had received the money from Mr P on the same day she transferred the funds to Canada Life.

Canada Life asked Mrs H to provide evidence of Mr P's funds. But, as I've set out above, Mr P was unwilling to share his personal financial information with Canada Life on the basis that he was not a customer of Canada Life and had no relationship with it. After lengthy correspondence and this complaint, Mr P did eventually agree to show Canada Life his bank statement showing that the funds transferred to Mrs H were his and the redemption progressed.

I understand Mrs H and Mr P were unhappy about this. They didn't think it was necessary or reasonable for Canada Life to request evidence from Mr P; they think Canada Life delayed the redemption unnecessarily and didn't communicate its requirements properly; and they're concerned it now holds Mr P's financial information without proper justification.

I've taken into account everything they've said about this. But ultimately I don't think it would be fair to uphold this complaint. I'll explain why.

It's not unreasonable for Canada Life to ask Mrs H to show where she obtained the funds to repay her lifetime mortgage. It takes the view that it was required to do so under relevant money laundering and other regulations. A lifetime mortgage isn't designed to be repaid during the lifetime of the borrower, and while permitted under the terms and conditions doing so is relatively unusual. So it wasn't unreasonable for Canada Life to ask Mrs H to demonstrate that the funds to repay it were hers – I'm satisfied it would have asked the same questions of any other borrower in her position.

In fact, of course the funds weren't Mrs H's – or rather they were, but only because they had been gifted to her on the same day she paid Canada Life – and so enquiring into the source of the funds Mrs H used to repay her loan meant enquiring not just of Mrs H but also of Mr P. Canada Life wanted to understand that the funds he had chosen to give Mrs H were his and not from some other source.

Financial services firms engaged in large transactions like this one have an obligation to satisfy themselves that the money they are receiving is from a legitimate source. Making checks on that in this case doesn't mean Canada Life had particular suspicions about Mrs H and Mr P, it just means that it carries out checks in every case, including this one, to satisfy itself that the funds are legitimate and that it has no cause for further concern. If it had simply stopped its checks at Mrs H, all it would have seen were that she had received funds from a third party on the same day as she repaid her mortgage and which she used for that purpose. It wouldn't have told it anything about the ultimate source of the funds.

I'm therefore satisfied it was reasonable for Canada Life to request further information from or about Mr P and the source of the funds he had gifted to Mrs H – to satisfy itself of the ultimate source of the funds Mrs H used to repay the mortgage. Mr P wasn't obliged to respond, and Canada Life couldn't insist on him providing the information. But it was reasonable for Canada Life to make clear it wouldn't accept the funds from Mrs H and would return them to her unless it received the information it asked for.

It seems that it was only after Mrs H paid the funds to Canada Life that it made these enquiries of her. I do think it ought to have told Mrs H when she first asked for a redemption figure that it would also need her to explain where the funds came from. But ultimately I don't think it would have made any difference – Canada Life would still have needed the same information, Mrs H and Mr P would still have contested the need to provide it, and so the redemption of the mortgage wouldn't have happened any quicker.

In any case, I think Canada Life has done enough to put things right in this respect. When it received the funds, it held them rather than applying them to Mrs H's mortgage in case it needed to return them if it didn't receive satisfactory evidence. When Mr P did provide Canada Life with proof of funds in February 2023, Canada Life then applied the funds to Mrs H's mortgage and removed all interest charged since she first made payment on 28 October. So to the extent that – in not making it clear sooner what it needed – Canada Life is responsible for any delay in the mortgage being redeemed, it has put that right by ensuring that Mrs H was only required to pay the sum due on 28 October 2022, even though her mortgage wasn't redeemed until over three months later.

In conclusion, I'm satisfied that Canada Life's requests for further information were reasonable and I'm satisfied that it has ensured Mrs H wasn't charged additional interest because it didn't make those requests clear when she first asked it about redemption. I don't therefore uphold this complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 18 December 2023.

Simon Pugh
Ombudsman