

The complaint

Miss R has complained that Pinnacle Insurance Plc won't pay out on a sickness claim she made on her mortgage payment protection insurance (MPPI) policy because she no longer has a mortgage. She believes she was mis-led when the policy was amended in 2009.

What happened

Pinnacle are the underwriters of this policy ie. the insurer. Part of this complaint concerns the actions of the administrator, who was also the original seller of the policy. As Pinnacle has accepted it is accountable for the actions of the administrator, any reference to Pinnacle includes the actions of the administrator.

Miss R was originally sold MPPI by her lender in 2004 when she took out the mortgage. The policy covered her for accident, sickness and unemployment. In 2009 Miss R was becoming self-employed and the policy was amended to remove the unemployment cover. Miss R says she thought she'd taken out a new policy at that time that was a standalone accident and sickness (AS) policy, not linked to a mortgage. She subsequently paid off her mortgage in September 2020.

When she came to make a sickness claim in 2022, Pinnacle declined it on the basis that the policy was MPPI but that Miss R no longer had monthly mortgage repayments to protect. However, it has refunded the policy premiums from the point that the mortgage was redeemed.

Our investigator thought that Pinnacle had acted fairly in declining the claim, in line with the policy's terms and conditions. He also thought that refunding the premiums from September 2020 was a fair and proportionate response to the complaint.

Miss R disagrees with the investigator'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.

Looking at the policy terms and conditions, I'm satisfied that eligibility for cover includes having an active mortgage. It also makes it clear that the policy will end if the mortgage agreement is repaid and not replaced.

Miss R says she was aware in 2004 that the policy she was being sold was to cover her mortgage repayments.

Pinnacle no longer has a copy of the phone call that took place in 2009 that resulted in the policy being amended. Its notes from the time suggest that Miss R rang up to cancel the policy but ended up amending it by removing the unemployment cover.

Miss R says that the policy was mis-sold to her in 2009 as a standalone accident and sickness policy. Her recollection is that she rang to ask if she could continue with the mortgage PPI policy now that she was self-employed and was told that she could not. But it said it could instead move the policy over to an AS policy with the same benefit of £2,000 per month, which she agreed to.

Miss R says she rang again after receiving a confirmation letter because she was concerned that the wording still said 'Mortgage Payment Protection', but she was assured by the adviser that it was the details on the policy schedule – confirming the level of cover as AS and the benefit as £2,000 – that was the most relevant.

I've no doubt that Miss R has provided her genuine recollection of events. But 2009 was a long time ago and so it wouldn't be surprising if her memory has faded somewhat.

Based on the available evidence, I'm not persuaded that there was a new sale in 2009. Instead, it was an amendment to the existing policy.

Miss R still had a mortgage in 2009 and she has said herself that the purpose of her call was to find out if she could continue with the MPPI. I find it most likely she was told that the policy might not fully meet her needs now because she might find it harder to claim for unemployment as a self-employed person. However, she'd still be able to benefit from the AS part of the cover. As she wanted AS cover, it's not surprising that she agreed to the amendment. And I'm not sure why Miss R would have been concerned at that time that the policy was being referred to in writing as MPPI, being as she still had the mortgage then.

Miss R says she was confident that she held AS cover only. The fact is that she did hold AS cover only. But the benefit of that cover remained tied to her monthly mortgage repayments. The only change that happened is that the unemployment cover was removed. The policy was suitable for her circumstances at the time, so I'm unable to conclude that Pinnacle did anything wrong in amending the cover to AS only.

Miss R says she received annual reviews for the insurance with the covering letters still calling it 'Mortgage Payment Protection Insurance'. I appreciate what Miss R has said about being reassured by the adviser in 2009 that this didn't matter. I've thought about what Miss R has said about not all of the documentation mentioning MPPI. But overall, I think Miss R should have known (or ought reasonably to have known), over the years, that the policy was likely mortgage related. But, of course, that wouldn't have mattered prior to September 2020 whilst Miss R still had the mortgage.

Miss R has been very unwell and has undergone major surgery, meaning that she has obviously been unable to work. I have a great deal of sympathy with her situation. But looking at what's happened, I'm unable to conclude that Pinnacle has done anything wrong. It has correctly declined the claim in line with the policy terms and it was fair for it to refund the premium payments from the point that the mortgage was paid off. It follows that I do not uphold Miss R'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 Miss R to accept or reject my decision before 22 November 2023.

Carole Clark

Ombudsman