DRN-4300237

The complaint

Mr D, on behalf of himself and the estate of the late Mrs D, has complained that Nationwide Building Society mis-sold them a mortgage payment protection insurance (PPI) policy.

What happened

Mr and Mrs D originally arranged their mortgage in 1988 but did not buy PPI at that time. It was in 1993, when taking out a further advance, that they were sold PPI. Although it was a joint mortgage, the PPI was set up to cover Mr D only.

Our adjudicator didn't uphold the complaint. Mr D disagrees 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.

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

I've decided not to uphold Mr D and the estate of the late Mrs D's complaint and I'll explain why.

Nationwide no longer has any of the sales documents from the time, which is not surprising given how long ago it took place. In reaching my decision I have looked at the evidence we do have, together with what I consider is most likely to have happened.

From what we know of Nationwide's sales process at the time, the PPI 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.

The sale was a long time ago and so it wouldn't be surprising if Mr D's recollection of events has faded.

Mr D says they converted their mortgage from an endowment to a repayment mortgage and were told at that time that the needed to have PPI cover. But from the information I've seen, they arranged the PPI when taking out a further advance in 1993. They didn't convert the mortgage to a repayment mortgage until 2000.

I've no doubt that Mr D has provided his genuine recollection of events. But, based on the available evidence, I think it is more likely than not that the PPI was presented as optional. I consider that Mr and Mrs D probably decided to buy it, knowing that they didn't have to, even if Mr D no longer remembers doing so.

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

I think they would have known something about the policy – that it would have covered their mortgage repayments if Mr D was unable to work – because I doubt they'd have decided to buy it without knowing anything at all about it.

Mr D would have received sick pay from his employer. But the policy would have paid out in addition to this and potentially for longer than he would have received full pay for. The couple had some savings. But having the PPI would have meant that they could retain these or use them to cover other outgoings 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 D 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 D 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.

This means that Nationwide doesn't have to pay back all of the cost of the PPI to Mr D and the estate of Mrs D. But Nationwide had offered to pay back *some* of the cost of the PPI because:

- When the policy was sold, Nationwide expected to get a high level of commission and profit share (more than 50% of the PPI premium) – so it should have told Mr and Mrs D about that. Because Nationwide didn't tell them, that was unfair.
- To put that right, Nationwide had offered to pay back the amount of commission and profit share that was above 50% of the PPI premium – and I think that is fair in this case.

I understand that Mr D received his part of the payment in 2019. However, because he didn't return the indemnity form in relation to the redress for the estate of Mrs D, that payment remains outstanding. Mr D would need to contact Nationwide to discuss if it would be willing to honour the offer to the estate of Mrs D now, subject to Mr D completing the necessary forms.

My final decision

For the reasons set out above, my decision is that I do not uphold the complaint about the PPI being mis-sold.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and the estate of Mrs D to accept or reject my decision before 27 September 2023.
Carole Clark
Ombudsman