

The complaint

Mr and Mrs L complain they were mis-sold a mortgage protection and critical illness policy by HSBC UK Bank Plc. They say they were told they had to have the cover in order to get a mortgage, but they've since found out they didn't need it.

What happened

In July 2003, Mr and Mrs L took out a new mortgage and were advised to also take out a mortgage protection plan with critical illness cover (CIC) at the same time. The policy term and sum assured matched the new mortgage they were taking out.

In April 2022, they raised a complaint with HSBC. They raised concerns about the suitability of the policy for their circumstances. They also said that they were told they had to take cover in order to get their mortgage agreed.

HSBC responded. It didn't uphold the complaint. In summary it said:

- Having reviewed the sales documentation, there was no evidence Mr and Mrs L were told the policy had to be taken as a condition of the borrowing. HSBC has never implemented the condition that customers must have CIC to hold a mortgage.
- It found no fault with the recommendation for the policy, it matched the term and amount of the new borrowing and cancellation rights were provided.

As they didn't agree with the outcome, Mr and Mrs L referred that complaint to this service for an independent review. One of our investigators completed an assessment. He didn't uphold the complaint. In summary he said he hadn't seen anything to support the policy was a condition of HSBC offering a mortgage. He was satisfied the type of illnesses covered by the policy were clearly defined by the documents Mr and Mrs L received at the point of sale.

Mr and Mrs L didn't accept the investigator's findings and asked for an ombudsman to reach a decision on the complaint. They reiterated that they didn't ask for the cover and had it forced on them at the time of getting a mortgage, misleading them into thinking they needed it to greater the chance of getting the mortgage they wanted.

As no agreement could be reached the complaint has been passed to me to make 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.

Before going on to look at the wider suitability of the advice, I've first considered what appears to be Mr and Mrs L's main complaint point. That relates to their recollection that they were misled into thinking they had to take out the policy in order to get their mortgage approved. I've considered their testimony about this.

However, HSBC say that the policy wasn't required for the mortgage to be granted – and the only insurance that was a requirement of the lending was home insurance. It says it has never implemented the condition that customers have to have CIC to hold a mortgage.

I've looked at the other evidence available. HSBC has provided a copy of the personal financial review document. This records what was discussed in the advice meeting. It records that Mr and Mrs L had some existing protection cover (a life and CIC policy), which wasn't sufficient to cover the new mortgage but they wished to keep it for family protection. It says they wanted to take additional cover for the new mortgage. In the summary of needs section, the adviser identified that Mr and Mrs L had a need for CIC. He notes that they would like their mortgage repaid in the event of either of them suffering a critical illness, so he strongly recommended they take out a CIC policy with a benefit level and term in line with their new mortgage. A recommendation letter was also produced. This letter set out the products the adviser recommended to Mr and Mrs L including the mortgage protection policy.

I appreciate Mr and Mrs L say the adviser forced the cover on them. But the evidence available indicates that the adviser made a recommendation as he had identified they had a strong need for the cover. I think this is different to insisting the policy was taken. There isn't anything in the evidence from the sale that suggests there was a conditional link between taking the policy and the mortgage being granted. It may be that the adviser was very persuasive about the benefits of taking out the cover, but I've not seen enough to satisfy me that he unduly pressured Mr and Mrs L.

I've gone on to consider whether the policy was suitable for Mr and Mrs L at the time. It's quite normal for recommendations of life and/or CIC to be made in conjunction with new mortgage borrowing. Indeed, they had another policy covering their existing mortgage. I can see from the documentation completed at the time that consideration was given to their specific circumstances and what cover they already had in place (which was insufficient to cover the new mortgage). Based on what I understand of their personal circumstances – including their employment status and existing cover – CIC for their new mortgage would have been useful for them in the event that they were diagnosed with one of the relevant conditions.

I note Mr and Mrs L have mentioned that they did inquire about making a claim but this was not accepted. While I can appreciate it will have been disappointing for them to discover that Mrs L's particular health problem wasn't covered, I don't think that's an indication that the cover was of no use or benefit. There were many other illnesses that were covered, and they would not in all circumstances have led to death, so the pay out the policy would've provided would have been very useful. As such, I think the recommendation of CIC to Mr and Mrs L was still suitable.

It follows that I haven't found reason to uphold the complaint, so I will not be asking HSBC to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs L to accept or reject my decision before 17 November 2023.

Daniel Little
Ombudsman

