



the **Money**
Advice Service

Endowment mortgage complaints

Steps to take if you think you may have
been mis-sold your endowment mortgage



- ➔ What you can complain about
- ➔ Time limits
- ➔ How compensation is worked out

The **Money Advice Service** is independent and set up by government to help people make the most of their money by giving free, impartial advice. As well as advice about mortgages, we offer information on a wide range of other money topics.

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 moneyadvice.service.org.uk

Free impartial advice

 on the web

 on the phone

Here to help you

This guide is for you if you want to make a complaint about the way your endowment mortgage was sold to you.

If you think that you were mis-sold your endowment mortgage, you may be able to make a complaint and be entitled to compensation.

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There are time limits on complaints about mis-sold endowment mortgages, so act quickly.



First things to do

Getting started



1

Review your endowment mortgage

Read the reprojection letters from your endowment policy provider and take action if you need to.

See page 4



2

Work out if you have reasons to complain

You need to show that you have a reason to complain **and** that you have lost out financially before you can get compensation.

See page 4



3

Act quickly

Time limits may apply to your situation. If you complain outside the time limits a firm can reject your complaint.

See page 8



4

Get advice now if you're facing a shortfall

The longer you wait the higher the cost will be.

Start now by searching for 'Dealing with an endowment shortfall' on  moneyadvice.service.org.uk



Make sure you don't cash in your policy or stop your payments without taking professional financial advice. You could lose out if you do.

Practical advice

➔ Find any paperwork you were given when you bought the endowment policy and think back to what you were told at the time.

➔ If you decide to make a complaint keep copies of any letters and notes of telephone calls. Send copies of documents but always keep the originals.

➔ If you haven't lost out but are still unhappy with the risks of an endowment policy, you may be able to switch to a repayment mortgage. Contact your mortgage provider.

To find out how much your monthly repayments could be, use the **Mortgage calculator** on the Money Advice Service website

👉 moneyadvice.service.org.uk/mortgagecalculator

The Financial Conduct Authority regulates firms selling endowment policies and there are rules in place that mean they have to deal with your complaint fairly.



Review your endowment mortgage

If you took out an interest-only mortgage you may have been sold an endowment policy. The combination is called an endowment mortgage.

An endowment policy invests your money with the aim of making it grow enough to pay off the original loan when the mortgage term ends.

Because the performance of investments can vary, there's usually no guarantee that the policy will grow enough to repay the mortgage at the end of the term.

If you're not sure whether you have an endowment mortgage, check your mortgage statement or contact your lender.

→ Endowment shortfall letters

You should have received letters with your annual endowment policy statement telling you whether your policy is on track to repay your mortgage. These are called **reprojection letters**. The letter will tell you:

- the amount of any expected/likely shortfall
- the options open to you
- what action you need to take.

If you haven't received a reprojection letter, ask your policy provider for one. Read it and take action if you need to.

→ When you can complain

You may have a reason to complain if your adviser did not do any **one** of these things:

- tell you how your money would be invested and explain the risks involved
- explain that an endowment policy is a long-term commitment that often gives a poor return if you cash it in early
- check you were comfortable with the risks of your money being linked to investment performance
- check there was a reasonable expectation you would be able to keep up payments until the end of the mortgage term
- explain any fees and charges and how they would affect the return on the endowment.

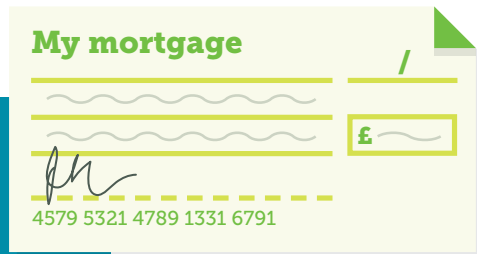
You may also be able to complain if:

- your endowment policy finishes after you retire and the adviser didn't check you were likely to be able to afford the premiums after you retired
- you were advised to cancel one endowment policy and take out another. An endowment policy is a long-term investment that often gives a poor return if you cash it in early
- your endowment policy runs on after your mortgage loan is due to finish
- you were given a guarantee that the endowment policy would pay off your mortgage. As long as you can show that you were told that the endowment policy was guaranteed to pay out enough to pay off your mortgage and this was part of the legal contract between you and the firm. This is likely to be rare.

Key points

- ➔ Check you've received a reprojection letter telling you where you stand with your endowment. If you haven't received one, ask your provider for one.
- ➔ You won't be eligible for compensation if you haven't lost out financially.
- ➔ If you bought your policy between 29 April 1988 and 31 December 1994, you should have been given policy details called 'product particulars'. If you bought it on or after 1 January 1995, you should have been given a 'Key Features' document.

You may be able to get compensation even if you've cashed in your endowment policy.



→ How compensation is calculated

Compensation is usually based on what your position would have been now if you had taken out a repayment mortgage instead of an endowment mortgage. It isn't based on what you expected the policy to be worth.

Firms should follow the Financial Conduct Authority (FCA) guidelines when they work out compensation. If it isn't clear how the firm calculated the compensation, or you think there may be a mistake, ask for a breakdown of the figures.

The calculation will compare:

- the mortgage interest and endowment policy premiums you've paid and the current surrender value of your mortgage endowment policy, with
- the mortgage interest and capital repayments you *would* have paid on an equivalent repayment mortgage, and how much capital you *would* have paid off the mortgage.

In some cases other factors are taken into account. For example:

- whether life insurance was needed
- whether the policy ran past your retirement date and the firm that sold you the policy should have foreseen that you would not have been able to afford it after you stopped working
- the type of endowment policy.

Key points

- Compensation isn't based on what you expected your policy to be worth.
- The way compensation is calculated depends on your circumstances.
- You won't usually have to pay tax on compensation.
- If you're offered compensation in line with FCA guidelines, you can assume it's fair.
- If the firm that sold you the policy upholds your complaint, it should help you switch to a repayment mortgage. They should also pay for any fees or expenses that you are charged for changing your mortgage.

→ If you have already switched to a repayment mortgage

Compensation is usually calculated up to the date when you changed to a repayment mortgage. This is because the endowment policy was originally taken out to repay a mortgage.

An endowment policy includes life cover to repay the mortgage if you die early. If you stop the endowment and need life cover, you'll generally need to make other arrangements.

→ Do you need to pay tax on compensation?

If the compensation simply puts you back in the position you would have been in if you had taken a repayment mortgage, then usually you won't have to pay tax on it.

If the compensation calculation includes additional interest, you'll have to pay tax on the interest.

Not sure where you stand tax-wise? Contact HM Revenue & Customs (HMRC) visit [hmrc.gov.uk](https://www.hmrc.gov.uk) or call the Taxes helpline on 0300 200 3300.

If you get compensation, consider using it to reduce the amount you owe on your mortgage.



Making a complaint

Making a complaint is easy and free.

If you want to make a complaint, **do it now** as there are time limits.

It's usually best to complain in writing. If you phone make sure you keep detailed notes of your conversation, including the name of the person you spoke to and the date and time you called.

What to do

■ **Complain to the firm that sold you the endowment policy.**

This may be a financial adviser, the endowment company or your mortgage lender. Check with the endowment company if you're not sure who you should complain to.

Firms regulated by the Financial Conduct Authority (FCA) must have a formal complaints procedure and tell you how to use it.

Try to find all the paperwork and any notes you made at the time.

If you can't find them you're entitled to copies of the sales paperwork from the firm that sold you the endowment policy.

When you make a complaint, the firm may send you a questionnaire to complete and return to them. **Fill the questionnaire in as much as you can** – it will speed up the process.

- **If you're not happy with the firm's decision**, you can take your complaint to the Financial Ombudsman Service (FOS). You must do this **within six months** of the firm sending you a 'final response' letter.

The FOS is independent and provides a free, straightforward process for resolving disputes.

Call their contact centre for help. 0800 023 4567 or 0300 123 9123
financial-ombudsman.org.uk

Making a complaint if...

You took out your policy before 29 April 1988.

Selling and giving advice about endowment policies was not regulated until 29 April 1988. Some endowment providers voluntarily agreed to allow the FOS to look at complaints before this date. You can contact the FOS to check if the firm you're complaining to signed up to the voluntary arrangements.

■ **If the provider or adviser signed up to the voluntary arrangements.**

They should always handle your complaint in line with the FCA rules, which state they must treat the complaint fairly. These include telling you when you can refer your complaint to the FOS.

- **If the firm did not sign up to the voluntary arrangements.**
You can still complain to the provider or adviser, but they need not follow the FCA rules every time. This also means that if you can't resolve your complaint with the firm, you won't be able to take your complaint to the FOS.

You were advised before 29 April 1988 but took out the policy after that date.

You may be able to refer your complaint to the FOS, even if the firm didn't sign up to the voluntary arrangements. Check with the FOS if you're not sure.

You bought your policy on advice from a solicitor.

Complain to the solicitor first. If you're unhappy with their decision, and bought your policy before 1 December 2001 take your complaint to the relevant complaints scheme, depending on where you live:

- Legal Ombudsman for England and Wales
- Scottish Legal Complaints Commission
- Law Society of Northern Ireland.

If you bought your endowment policy on advice from a solicitor **on or after 1 December 2001**, you should follow the usual complaints procedure – see page 8.

If your solicitor has stopped trading, contact the relevant law society.

See *Useful contacts* on page 12.

→ Time limits on complaints

There are time limits on complaints. If you complain outside these limits, a firm can reject your complaint as being out of time – known as **'time-barring'**. It can also ask the FOS to reject the complaint.

For example, your complaint can be rejected if:

- you get a letter warning of a high risk of a shortfall, then a letter giving you at least six months' notice of a 'final date' by which you have to complain, and
- the 'final date' is at least three years after you received the first letter and at least six years since you bought the policy; but you complain after the 'final date'.

Key points

→ If you want to complain, do it now – time may be running out.

→ You won't be charged if you complain to the firm that sold you the policy. The Financial Ombudsman service is also free to use.

Even if the firm rejects your complaint as being out of time, you can still go to the FOS if you think:

- there are exceptional circumstances, or
- the time bar was wrongly applied.

You should do this **within six months of the firm sending you a 'final response' letter.**

→ You do not need to use a complaints management company

Some companies help people pursue complaints with financial services firms and the FOS in return for a fee – usually a share of any compensation.

Before you sign up you need to be aware that:

- using these companies doesn't increase the chances of your complaint succeeding
- some companies ask for a fee up front and you may still have to pay if you decide not to use them
- if you agree to pay a fee or a share of compensation and your complaint succeeds, you'll end up with less money to pay off your mortgage.

We do not recommend using claims or complaints management companies, but if you do, check:

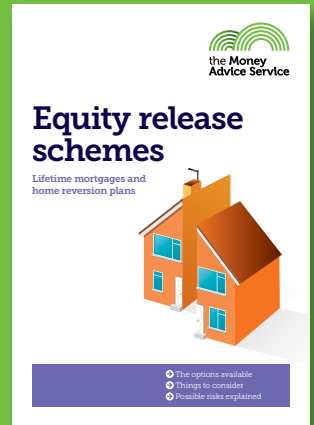
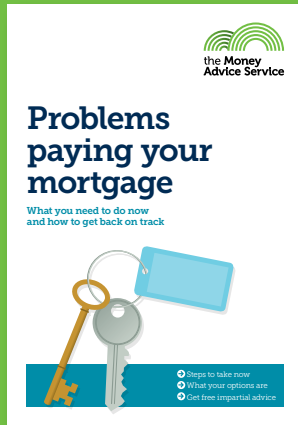
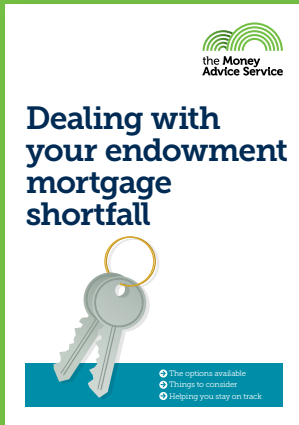
- the costs and benefits of using the company
- the fees and conditions
- the company is regulated by the Ministry of Justice or is a member of a professional body such as the Law Society.

See *Useful contacts* on page 12.

Key points

- In some cases you can still go to the FOS even if your complaint has been rejected for being out of time.
- If you decide to employ someone to handle your complaint for you, you'll have to pay their costs yourself. This could mean you paying them part of any compensation you have been awarded.
- Using a claims management company doesn't increase the chances of your complaint succeeding.

Free printed guides



Our guides give you clear, impartial advice and information across a range of financial matters and topics.

To find out more search for 'Free printed guides' on
moneyadvice.service.org.uk

Useful contacts

Money Advice Service

The Money Advice Service is independent and set up by government to help people make the most of their money by giving free, impartial money advice to everyone across the UK – online and over the phone.

We give advice, tips and tools on a wide range of topics including day-to-day money management, savings, planning your retirement and for your future, as well as advice and help for life-changing events such as starting a family or losing your job.

For advice and to access our tools and planners visit

 moneyadviceservice.org.uk

**Or call our Money Advice Line on
0800 138 7777**

**Typetalk
1800 10300 500 5000**

Ministry of Justice

0845 450 6858

01283 233 309

claimsregulation.gov.uk

To find a solicitor

The Law Society

020 7242 1222

lawsociety.org.uk

The Law Society of Northern Ireland

028 9023 1614

lawsoc-ni.org

The Law Society of Scotland

0131 226 7411

lawscot.org.uk

Complaints and compensation

Financial Ombudsman Service

0800 023 4567

0300 123 9123

financial-ombudsman.org.uk

Financial Services Compensation Scheme

0800 678 1100

020 7741 4100

fscs.org.uk

Legal Ombudsman (England and Wales)

0300 555 0333

legalombudsman.org.uk

Scottish Legal Complaints Commission

0131 528 5111

scottishlegalcomplaints.org.uk



Endowment mortgage complaints

is one of the guides available from the Money Advice Service. To see our full range of guides and request copies visit

[👉 moneyadvice.service.org.uk](https://moneyadvice.service.org.uk)

Money Advice Line **0800 138 7777***

Typetalk **1800 1 0300 500 5000**

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*Calls are free. To help us maintain and improve our service, we may record or monitor calls.

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