



## Endowment Mortgage Claims Factsheet

FSCS is an independent body, set up under the Financial Services & Markets Act 2000 as the UK's compensation fund of last resort for customers of financial services firms. This means that FSCS can pay compensation to consumers if an authorised financial services firm is unable, or likely to be unable, to pay claims against it. Our service is free to consumers. Authorised firms are those regulated by the UK's financial watchdog, the Financial Services Authority, (FSA), or previous financial regulators.

### Endowment claims covered by FSCS

To qualify for compensation you must be eligible under our rules, which are made by the FSA. The rules tell us which types of claim are eligible for compensation, and limit how much compensation we are allowed to pay. For endowment claims we must be able to show that the advice given resulted in you buying a product that was unsuitable for you, or you were not advised of the risks, and that you lost money as a result. We can pay compensation only for financial loss.

#### Examples of situations where we may be able to help include:

- Your adviser did not properly explain that because the return from investments such as endowment policies is linked to the stock market, there was a risk that your policy could leave you with a shortfall to repay your mortgage loan.
- Your endowment is due to pay out (or 'mature') after your retirement age, and it was clear at the time the advice was given that you would not be able to carry on paying premiums after you retired.
- Your endowment is not due to mature until after your mortgage loan has finished, and this was not made clear to you at the time of the advice.
- You already had an endowment and were advised to surrender it and take out a new one.

### Endowment shortfalls

The problem you may now face is that the endowment policy is not on target to repay the capital sum of your mortgage. Even though this may be difficult for you, it does not necessarily mean your endowment was unsuitable for you. When you took out the policy, your adviser could not have predicted that the endowment would have a shortfall. However, if you were not informed there was a risk that your mortgage might not be paid we may be able to help you.

FSCS can pay compensation only for actual financial loss. This means we can pay compensation if you have lost money as a result of the advice you were given, but cannot take into account any projected shortfall you may have in the future if you decide to keep the endowment policy in place. We calculate your compensation by comparing the situation you are in with the situation you would have been in if you had not been sold the mortgage endowment policy. For example, if your claim is based on the risk of your mortgage endowment policy being unsuitable for your circumstances, we will compare your mortgage endowment policy with a repayment mortgage. This calculation will show us whether you are better or worse off as a result of the unsuitable advice.

### Endowment claims not covered by FSCS

Our rules don't allow us to investigate any potential claims that relate to investment advice or arranging **before 28 August 1988**. Unfortunately if you **only** received advice from a firm before this date we cannot help you, as this activity was not protected by a compensation scheme at that time.

#### Can the firm pay claims against it?

As a fund of last resort, FSCS can help consumers only if a firm cannot pay claims itself. This will usually be because it has stopped trading and has insufficient assets to meet claims, or is insolvent. We cannot help consumers if a firm (or its owners) has enough assets or means to pay claims itself, even if the firm has stopped trading.

#### Is the firm still trading?

If the firm is still trading, you should contact it directly. If the firm does not resolve your complaint, you can contact the Financial Ombudsman Service (FOS) on 0845 080 1800. If you need help contacting the firm, please telephone the FSA's Consumer Helpline on 0845 606 1234. The FSA will be able to confirm the status of the firm that gave you the advice, and may be able to provide contact details. Alternatively, your endowment policy provider may be able to provide contact details.