

News

# Cash claim success ends mortgage debt nightmare for them

## ...but others face misery over endowments crisis

By Wendy Scott

**IMAGINE finding out your home was under threat because your mortgage had seriously under-performed.**

For an estimated 85 per cent of endowment mortgage-holders in North Lanarkshire that nightmare is a real possibility.

Endowment policies were heavily promoted in the 1980s and 1990s as a perfect and money-spinning way of repaying mortgage debt.

But due to poor stock market performance and low interest rates the majority of these policies have not met their targets.

However, there is light at the end of the tunnel. Around 60 per cent of endowments are believed to have been mis-sold and these policyholders are potentially entitled to compensation.

Alistair Milne (55), of The Rushes, Airdrie, took out an endowment mortgage for £20,000 in 1998 after being promised the policy would not only cover the cost of his mortgage, but also provide an additional lump sum.

Mr Milne said: "My wife and I were buying our first home from a

local estate agent and went to speak to the Independent Financial Adviser who worked there.

"He did everything for us and told us endowment was the way to go; not only would it pay off the mortgage it would leave us with a wee bit extra. It sounded a good thing to do so we signed."

But in 2001 Alistair received a letter from his mortgage company warning him his policy would not cover his debt or pay out a surplus.

He said: "For years we had been receiving letters saying things were going as expected. Then we received a letter stating things weren't looking too good but would be fine, then one saying things weren't as good... and finally one stating "oops" there will definitely be a shortfall."

Initially the couple didn't panic. They were both employed and had never had any money worries. But as the shortfall increased from £1500 to £4000 in just two years, they realised something had to be done.

Mr Milne said: "When we realised the scope of the shortfall we were angry. We had been young

and financially immature when we took out the policy and had put our trust in someone who claimed to be a financial expert."

After spotting an advert for the Coatbridge-based Endowment Compensation Centre (ECC) Mr Milne gave them a call. Just six weeks later he was told his claim had been upheld.

He said: "If we hadn't gone to the ECC we would still be sitting with a debt racked up through no fault of our own."

And he added: "When the compensation came through we really did feel relief and have put aside the money to help clear the shortfall."



**CLAIM UPHELD ...**  
Alistair and Jean Milne, who are delighted with their compensation victory.

## Diamond geezer explains when to claim

GERRY Diamond, managing director of the ECC, says homeowners like the Milnes face an average debt of £5500.

He said: "The Government believes 60 per cent of these mortgages were mis-sold and homeowners living in North Lanarkshire face an uphill battle to secure the compensation they are potentially entitled to."

Local endowment policyholders have grounds to make a claim if:

- They were told the policy would definitely pay off the mortgage.
- They were also told to expect a lump sum after their mortgage was paid.
- Their advisor did not fully discuss all methods of repayment at the time of sale.

● Their attitude to investment risk was not fully discussed.

● They were not informed that the policy was not guaranteed to pay the loan.

● The policy went beyond their retirement age without a full analysis taking place.

● The policy was inappropriate to their needs.

Industry figures show that only six per cent of homeowners eligible to claim have done so.

Mr Diamond believes this is because of the complexity of the claims procedure.

He said: "Most homeowners in North Lanarkshire did not realise there was a risk their policy may not pay their mort-

gage. As a result many are facing an uncertain financial future if they do not claim

"Making a successful complaint requires knowledge of the complaints process, an aptitude for form-filling and a determination not to succumb to the obstacles thrown purposefully in your path."

DATE: 11<sup>th</sup> May 2005  
PUBLICATION: Airdrie & Coatbridge Advertiser

the **big** partnership

PRESS CUTTING