



## **NEWS RELEASE**

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### **SCOTLAND'S TOP ENDOWMENTS EXPERT CHALLENGES LEGALITY OF TIME-BARRING**

#### **- Scottish-based Life Companies in breach of Scots Law -**

Scottish-based life companies who use a time-barring tactic to avoid claims from policy holders are misleading the public, says Scotland's leading endowment claims specialist.

Gerry Diamond, founder and managing director of the Glasgow-based Endowment Compensation Centre (ECC), is to challenge the companies on the basis that Scottish endowment policy holders are being time-barrred from making complaints after three years, while Scots Law allows a period of five years for complaints to be made.

Mr Diamond also claims that the re-projection or "red alert" letters currently and previously used in starting the clock ticking for time-barring purposes is misleading. ECC's solicitors have now been instructed to write to Scots-based life companies and endowment sellers asking for their comments on these points and requesting a change in practice, which would be hugely significant for the thousands of homeowners currently time-barrred.

This development comes after Lloyds TSB effectively time-barrred home owners from March this year while Standard Life expects 70 per cent of its policy holders to be time-barrred from April 2007.

Mr Diamond said: "We have received numerous complaints from Scottish policy holders who now find themselves time-barrred by companies who initially promised not to impose these restrictions.

"As a Scottish firm we're committed to exploring every avenue for home owners who are faced with the distressing situation of being landed with a major debt in later life when they were under the impression their endowment policy would comfortably pay off their mortgage.

"We have invested considerable time and effort looking at the legality of this situation and there is no doubt that Scots Law allows five years for a dispute to be taken to court arising from a contractual problem or from negligence or from misrepresentation.

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“This means that people should have two more years to claim than the three-year FSA rule that is currently applied by many sellers of endowment policies. So far as we are concerned the law of the land should have precedence over this so-called “rule”.

At the moment members of the public aggrieved by possible mis-selling are told about the current three-year time limit but are not clearly advised that they have a right to take court action for up to five years.

ECC’s legal representatives have written to the major providers of endowment policies regulated by Scots Law asking that they look at their policies and procedures and rectify them to ensure consumers are not misled over the three-year time limit.

Endowments were hugely popular in the 1980s and early 1990s with millions of the now discredited policies sold to young home buyers – many of whom first time buyers – often as a result of mis-selling. Many people were not told of the risk that the endowment policy would not at the end of the day produce enough to pay off the mortgage.

It is estimated that up to 400,000 Scots could have been mis-sold endowment mortgages and ECC is currently processing more than 5,000 compensation claims in Scotland and recent figures from the Financial Services Authority show that the average shortfall in the UK is £7,200.

The company has helped over 25,000 disgruntled homeowners claim for compensation on mis-sold mortgages since its launch in November 2003.

Gerry Diamond, having appeared on BBC’s Newsnight Scotland and hosted live radio debates on radio on the subject, has become one of the most outspoken and authoritative figures on the endowment shortfall crisis.

He added: “I am hopeful that our intervention will lead to more consumers who were mis-sold policies having their claims for compensation satisfied. They should certainly not abort their claim based on a misunderstanding that they only have three years for doing so when the law allows them five years”.

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**Issued by Stephen McCranor of The BIG Partnership on behalf of ECC.**

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**Photograph of Gerry Diamond available.**