

The complaint

Mr P complains that Zurich Assurance Ltd mis-sold him a whole-of-life plan which wasn't suitable for him.

What happened

In 1992, Mr P met with an appointed representative of a predecessor business of Zurich to discuss taking out a form of critical illness cover to protect a mortgage on an investment property. At the time, Mr P was aged 24 and was single.

The adviser recommended that Mr P start a whole-of-life plan - a unit-linked protection plan which provided life and critical illness cover. The initial monthly premium was £25, and the sum assured was £43,572. The plan included an indexation benefit, which meant that the sum assured would increase each year in line with rises in the average earnings index.

In 2019, Mr P complained about the advice he received. He said that he'd been pressurised into buying the plan, and the policy exclusions weren't explained to him. He didn't feel that the cover was something that he needed. He said he relied upon the advice and feels he was badly let down.

Zurich said that the fact find document from the time Mr P was recommended the plan noted that his financial objective was protection of his lifestyle if he became sick or disabled. It said that he was buying an investment property for £35,000 and wanted to have critical illness cover that wasn't assigned to his lender. It said that the whole-of-life plan would provide a cash lump sum if Mr P was diagnosed with a specified critical illness and included full life cover. It said it also has the potential to build up a value over the long term.

One of our investigators looked into the complaint and didn't think it should be upheld. She said that the information from the time suggested that Mr P had a fair amount of knowledge of his future intentions and wanted this plan when he was buying an investment property. She felt that the representative had recommended a plan that was suitable for Mr P's requirements. She said that the product information explained the policy in detail, and Mr P had received further copies of this in 2009, when he'd contacted Zurich for information about his plan.

The investigator said that Mr P had paid for the policy for more than twenty years and had received statements and plan reviews. She felt this suggested that Mr P understood what he was paying for.

Mr P said that he was buying an investment property on a buy-to-let basis and life cover wasn't a condition of the lending. He only needed critical illness cover for his borrowing. He said that Zurich needed to justify selling him a plan that included life cover, as he didn't have any dependants. He said he'd trusted the adviser but was sold a product that wasn't right for him. He said he hadn't been in a position to know whether the product was right for him.

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.

I've looked over the details in the fact find completed for Mr P at the time this plan was recommended to him. And while it is noted that he was purchasing an investment property, it also records his objective from the meeting was to protect his lifestyle if he became sick or disabled.

The initial sum assured was higher than the amount of his mortgage borrowing, and it wasn't assigned to Mr P's mortgage lender. It also included an indexation benefit to increase the level of the sum assured each year. I think this suggests that the plan could be used to provide him with a means to repay his mortgage and provide an additional lump sum, in the event Mr P passed away, or was diagnosed with a specified illness or suffered one of the included events such as a heart attack; stroke or permanent total disability. And this would meet his objective of being able to protect his lifestyle.

I can also see that his application form for the whole-of-life plan notes that he'd exchanged contracts on the property he was buying two days before, and the policy was to be issued urgently or as soon as possible.

So although I appreciate what Mr P has said about his circumstances at the time and why he feels that he didn't have a need for this type of cover, I think the information from the time suggests that he was wanting a form of protection that would be provided by this whole-of-life plan.

At the time, Mr P was single and had no-one that was financially reliant upon him. But I don't think this in itself means that the recommended plan wasn't right for him. I say this because the information from the time suggests that Mr P wanted a form of protection over that of the amount his mortgage commitment, and that he wanted to make sure his lifestyle could be maintained if he suffered a critical illness. This plan would pay out the greater of the sum assured or the plan value in the event of death or disability.

I've considered the plan documentation and product information that Mr P would've been provided with at the time it was sold. And I think that this makes it clear that it provides life and critical illness cover and that it is a whole-of-life plan. Mr P has also received statements and plan reviews during the intervening years, which would have set out the plan benefits.

Taking everything into account, I don't think that this whole-of-life plan was mis-sold to Mr P, when it met his requirements at the time, and the information he was given explained the cover it provided.

My final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 2 February 2021.

Cathy Bovan
Ombudsman