

## **The complaint**

Mrs S complains that, when applying for an additional voluntary contribution (AVC) policy with The Prudential Assurance Company Limited (PRU), the product she purchased included life insurance which she wasn't aware of and didn't need.

## **What happened**

Mrs S's concerns with her PRU policy began after they wrote to her in October 2019 to offer a £720 fees repayment. She questioned whether this represented PRU admitting they had made some sort of 'mistake' and asked them to clarify what they were repaying her for. And it was at this point Mrs S realised she'd been paying for life insurance premiums in addition to her AVC, which she said was something she had no recollection of agreeing to.

PRU explained that they had undertaken a review of the amounts they'd charged customers for life cover (not just Mrs S) from 2014 until 2018. And they'd concluded they would have liked to reduce these charges earlier than they did. So, they offered Mrs S £720 as a discretionary repayment of the charges she'd paid in this period.

PRU also said the AVC papers Mrs S signed when she took out the AVC policy clearly showed she ticked the box asking for life insurance to be included. PRU said Mrs S had met their representative in 1995 (who visited her at home) to review her financial plans, whereupon she was advised to start a Teachers AVC (TAVC) policy to enhance her income in retirement. And at the time, she agreed to accept the representative's recommendation to increase her life cover – as her employer's death in service benefit was limited to 1 x her annual salary at the time (and the extra cover would effectively increase that to a value 3 x her salary). PRU also explained Mrs S would have received yearly statements clearly showing that she was paying for both (TAVC and life cover).

Mrs S says she only became aware she was paying the additional life insurance cover in 2019 when PRU contacted her about the £720 premiums refund. She says she has no recollection of receiving any communications before this. Mrs S says she didn't need the extra death benefits because, by the time of her complaint to PRU in 2019, she was covered for twice her teacher's salary (about £100,000), plus the repayment of the full amount invested in the TAVC by that time (about £132,000). However, PRU said these are benefits that were available in 2019, and not 1995 when the death benefit policy was set up. The life benefits she was entitled to under her employer pension was only £14,500, and there was no TAVC value to be repaid.

One of our investigators initially upheld Mrs S' complaint. Whilst he felt the death benefit was suitable, as it significantly increased her death benefit at a time when her teacher's death benefits equated to only 1x salary, he wasn't satisfied Mrs S had *agreed* to take out the policy. He felt there were too many inconsistencies in the information PRU had sent him – missing application form pages, incomplete declarations, premiums not starting until six months *after* the TAVC payments started (which PRU were unable to explain why) – to reasonably conclude that Mrs S was aware of and agreed to take out the extra life insurance policy. He said PRU needed to refund the premiums, with interest, less the £720 which had already been refunded.

PRU disagreed with this. They were unhappy our investigator has placed so much reliance on Mrs S's completed application form, signed 26 years ago. They accepted they were unable to provide much more by way of evidence given documents from that time, and afterwards, had been destroyed. They explained Mrs S had received a policy document when taking out the policy, and regular statements (none of which they could now provide). Also, following a further extensive search, PRU managed to locate a copy of the fact-find and illustration completed at the time. PRU said this shows life cover was fully discussed and agreed at the time. And, PRU also referred to the initial TAVC application signed by Mrs S, and that she'd signed a declaration that the answers given in the additional death benefits section are true. PRU also confirmed it had no objection to us considering this complaint, notwithstanding it was about the sale of a policy over 25 years ago.

Upon receipt of this, our investigator changed his view. He was persuaded by the information contained in the fact find – life cover had been discussed and it was recorded that Mrs S wanted added protection to cover her family, for which the advisor recommended that she take out death benefits equivalent to 3 x her salary at that time. And Mrs S had signed and dated the declaration. Our investigator was satisfied Mrs S was aware of the extra death benefits at the time they were taken out, and they had been explained to Mrs S. He also didn't think the added death benefits were unreasonable given Mrs S had a family and mortgage at the time.

Unhappy with this, Mrs S repeated that she only wanted to take out an AVC at the time and didn't knowingly agree to additional life cover which she says she didn't need. She doesn't remember the fact-find document being discussed. She also referred to some documents signed a year after the TAVC policy was taken out (increasing her contributions) which make no reference to her paying for extra life benefits. Mrs S expressed concern the initial TAVC application form was misleading. She was also unhappy with the way PRU have communicated with her throughout this process. So, she asked for her complaint to be considered by an ombudsman, and it's been passed to me to consider.

### **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.

And having done so, whilst I appreciate this will come as a disappointment to Mrs S, I won't be upholding this complaint. I'll explain why.

The first document I need to consider is the 'fact-find' document. This shows a discussion with PRU's representative took place at Mrs S' home in July 1995. It lists number of factual matters relating to her circumstances at the time:

- She had two young children
- Her husband (by virtue of his profession) didn't wish to be involved in this application
- Her income was £14,500 gross, or £845 per month net
- Household expenses were shared, including a life insurance payment of £90 per month linked to the mortgage
- Her jointly owned property was valued at £70,000, with an outstanding mortgage of £63,600

The "Your life assurance needs" section was also completed. This showed:

- A dependant need analysis, identifying/calculating a figure of £43,590 needed based on an attached assumption table

The "Identifying your needs section" was also completed. This shows:

- Mrs S' existing employer life cover of 1 x teacher salary only of £14,500
- That Mrs S still needed £29,090 cover (£43,590 less £14,500) – based on the above need analysis
- Mention is made that Mrs S' husband's life cover is sizeable, but it's made clear that Mrs S doesn't wish to include or involve her husband's finances in this process

The "Prioritising your needs" section then records as follows:

- No 1 priority is listed as "planning for your retirement" (the TAVC)
- No 2 priority is listed as "protecting you and your family – Life assurance". The "discuss further" box is ticked here, and has been annotated "*protect family, have max death in service*"

The "Identifying Solutions to your needs" section has not been completed, but the "Reasons why – life assurance" section contains the following comments:

- "Recommended client have 3 x salary life cover under AVC scheme, to protect children"
- And, under "What you decided to do" section, says £43,500 @ £3.48 pm for 27 years

The form is signed and dated by Mrs S on the day of the visit. The TAVC application form is also completed at the same home visit. It contains various bits of financial information, much of which is similar to the information I've mentioned above. It includes, at section 7 (the additional death benefits section) that Mrs S wished to be provided with death benefits of £43,500, at a cost of £3.48 per month (deducted from the monthly TAVC premium, so not a separate payment). Mrs S' marital status, height and weight are provided, and certain medical questions have been answered.

I appreciate Mrs S says she has no recollection of discussing extra life assurance at the time, and I have no reason to doubt what Mrs S says. But, the documentation from the time seems clear extra life cover was discussed, and in some detail too. The forms contain specific information normally associated with life insurance considerations – height, weight, medical, existing life cover and needs analysis for instance. And it seems clear the question of *how much* extra life cover was needed at that time was also discussed at some length. So, whilst I'd understand if Mrs S' recollection of the events has dimmed in the 20+ years since the meeting, I'm satisfied the evidence shows extra life cover was discussed at the meeting at Mrs S' home.

I'm similarly satisfied that Mrs S agreed to take out the extra life cover as well. I acknowledge what she says about her signature on the TAVC application form being at section 5 (the declaration), and the death benefits questions not then appearing until section 7 – so, in effect, she says she didn't *sign* for the death benefits. Mrs S believes this is/was misleading. But, the declaration at section 5 does include the following text:

*"I declare that any answers given in section 7 are true, and...I understand that such answers form the basis on which my death benefit under the Teachers' AVC facility is insured".*

And given what I've already said above, I'm satisfied that the information in section 7 had most likely been inserted before Mrs S signed and dated the form.

I note Mrs S says she can't recall being sent any letters after the policy was taken out, such as a cooling-off letter. It's unfortunate that PRU hasn't been able to provide evidence of letters sent at that time (or since) that would show what information was sent to Mrs S. So, I have no way of knowing whether a cooling-off letter was sent or not. But, on balance, I think it's more likely than not that PRU would have sent something to Mrs S – policy documents for instance – at the time, which is standard practice when a policy such as this was taken out.

I also think the death benefits met Mrs S' needs at that time. Whilst I'm satisfied her mortgage was most likely covered by the extra life insurance policy already in place (although I haven't seen evidence of this), Mrs S only had the benefit of one year's worth of salary life cover from her employer at the time. She had two young children, relatively small joint savings, and had identified a need to provide for their security in the fact find.

I acknowledge Mrs S now says the cover was never needed, because her employer life cover has increased to a multiple of three times her salary, and her TAVC pot would pay out in excess of £130,000 if she were to die whilst still in employment. However, I don't think this is a fair comparison. These are the values *now*, whereas the decision to apply for the death benefits was based on Mrs S' situation in 1995 – when her employer cover was limited to £14,500, and the TAVC would not have accrued much/any value that could be paid out.

Mrs S also raises the issue that she and her husband had "significant insurance" at the time, and so this extra death benefit wasn't needed. Whilst it may have been true her husband had other life insurance, the documents show Mrs S was clear to avoid mentioning anything about his financial circumstances at the time, whether that be pension or death benefits (the exception being the joint mortgage-linked policy). This was an application process that Mrs S appeared to want to focus solely on her own financial affairs. So, I don't think it's fair or appropriate to now introduce her husband's value-unknown pension or death benefits to justify why Mrs S' extra death policy wasn't needed. And as I've already concluded, Mrs S' extra death benefits were discussed and identified as being needed.

Mrs S has also questioned why a TAVC amendment form from 1996, increasing her pension contribution rate, contains no entries relating to death benefits – and that this further supports her belief she'd never agreed to the extra life cover. I don't agree. The purpose of the amendment form was to record Mrs S' wish to increase her pension contributions and was completed for that sole purpose. There would have been no need to include any death benefit details, unless Mrs S wished to alter the sum covered, which she didn't.

So, for the reasons set out above, I think it's likely Mrs S did apply/knew she was applying for enhanced death benefits when taking out her TAVC policy in 1995, and that it was likely suitable for her based on her financial circumstances at the time. So, I won't be asking PRU to do anything further.

**My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 28 April 2022.

Mark Evans  
**Ombudsman**