

The complaint

Miss D complains that an appointed representative of ReAssure Limited mis-sold her three protection policies in 2009.

To resolve her complaint, Miss D wants to be refunded the premiums paid for all of the policies, as she feels that she has been defrauded.

What happened

Miss D met with a financial adviser in 2009 to discuss her protection needs. ReAssure has since taken over the business which appointed the adviser, and is therefore responsible for its actions and this complaint.

Following the advice, Miss D agreed to take out two Life Cover Plus policies providing life assurance and critical illness insurance cover, along with an Emergency Cash Plus Plan.

In April 2020, Miss D complained about the sale of all three policies. She said she had been misled into thinking the policies would have values once she reached a certain age, that people in her line of work (a medical role) needed this type of cover and she had to take them out as a single parent. Miss D said she had recently discussed the policies with work colleagues and realised they were optional and didn't accrue values as had been suggested.

ReAssure issued two responses to the complaint in May 2020 and a further reply in June 2020. It said that it felt the sale of all three policies was reasonable, given Miss D's circumstances at the time. However, it accepted that Miss D could have been sold one joint life and critical illness policy rather than two separate ones, as the critical illness also included life cover. This would have been slightly cheaper. It therefore offered redress to Miss D on that basis and also agreed to pay her £250 for the upset she had been caused.

Miss D brought her complaint to this service, noting that the value calculated by ReAssure was insufficient as she wanted all three policies to be refunded.

An investigator reviewed the complaint and felt it should be upheld, in part. She felt that the recommendation for the life cover and the emergency cash policy were both sensible, as Miss D had no other cover of that nature.

She otherwise thought the critical illness policy recommendation was superfluous. She said that there was no real documented need for the cover because many of the illnesses in the emergency cash policy duplicated those within the critical illness policy. She also noted that having the three policies did take up a proportion of Miss D's disposable income and this ought to have been properly considered by the adviser. She therefore felt ReAssure should return the premiums paid for the critical illness policy, with simple interest.

ReAssure said it did not agree – it felt the critical illness benefit was valuable, and not duplicated. It also submitted that the life cover plus policy which included the critical illness benefit had more wide-ranging and comprehensive cover for illnesses. It felt that its offer of redress was more appropriate than the investigator had proposed.

Our investigator said her view was unchanged – the benefits of all three policies were looked at collectively, since they were sold to Miss D at the same time.

Miss D didn't have any further comments to make. ReAssure still didn't agree, so the matter was referred for review by an ombudsman.

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'd like to thank the parties for their patience whilst this matter awaited an ombudsman's decision.

Having looked at everything before me, I also believe this complaint should be upheld in part. My findings, in brief summary are:

- at the time of the advice, Miss D was aged 41 and was a single parent with a young dependent child;
- the emergency cash policy had a 23-year term to 2032 with a £60.75 premium;
- it comprised accident and sickness, hospital cash cover, child cover and healthcare cover (critical illness benefit) for a number of listed illnesses;
- the critical illness policy had a lower premium of £47.34, a £20,000 sum assured and a term of 20 years – so to 2029;
- the emergency cash policy specifically says how *"your cover also provides you with a cash-free lump sum if you suffer a specified critical illness or you spend more than 24 hours in hospital"*;
- I realise Miss D says she was placed under unfair pressure to take out the policies;
- I do not doubt her recollection of what happened in 2009 but I have to weigh up the evidence in the round, and there isn't any contemporaneous documentation or other evidence that would support Miss D having been forced or compelled to take out the policies;
- Miss D would have been sent cancellation rights for the policies by the insurer and could have used these if she felt unhappy with what she had been sold;
- likewise the information issued to Miss D about the policies sets out the type of cover – they were term assurance, with specified end dates and no accruing investment values and I haven't seen any clear evidence that Miss D was told differently;
- in any event, I believe that the recommendations were partially suitable for Miss D, but like our investigator, I believe two policies would have been the right proposal, not three;
- the recommendations made by the adviser were centred on lifestyle protection, as Miss D did not have a documented mortgage liability;
- like our investigator I do believe that Miss D had identified needs for both life cover and protection in the event that she became unwell and was unable to work;
- this was particularly important given that Miss D had no other documented insurance of this type and was a single parent at the time;
- however, I am also mindful that Miss D had approximately £600 per month of disposable income before the costs of the recommendations were factored in;
- the three proposed policies represented more than 25% of that leftover income, which is a large proportion given Miss D was a sole-income household;
- I accept ReAssure's argument that the standalone critical illness (and life) policy provided cover for a greater number of illnesses than the emergency cash plan which included accident and sickness benefits;

- however, it did include protection for the six of the most common illnesses covered by critical illness policies as well as the other accident and sickness cover benefits that the critical illness policy did not include;
- if Miss D had been presented with these options when considering her outgoings, I believe it more likely that the emergency savings plan would have been chosen as a better fit for a defined number of circumstances in the absence of other cover;
- weighing up that policy in terms of cost, I believe the most suitable recommendation for Miss D would have been the emergency cash plus policy and the life cover;
- insurances such as life and critical illness cover are a prudent step to take to provide security both for family protection and for debts, such as mortgages;
- but as I've said, cost should have been a factor for the recommendation as well as duplication of benefits across the policies – and on that basis I believe the life cover and emergency cash plan were suitable proposals in these specific circumstances.

Putting things right

I direct ReAssure Limited to refund the total premiums paid by Miss D for her critical illness policy, from its inception in 2009 until the date the policy is or was surrendered.

It appears that Miss D may have cancelled the policy in 2020. If the policy remains in force, Miss D would need to confirm to ReAssure that it has been cancelled with the insurer and give the relevant date so ReAssure can undertake a calculation of the total premiums she has paid.

Interest should be added at gross rate of 8% simple per annum from the date the premiums were paid, to the date of settlement.

If ReAssure considers it is legally obliged to deduct income tax from the interest paid, it should issue a tax deduction certificate with the payment. Miss D may be able to reclaim the tax paid from HM Revenue and Customs, if applicable.

Finally if it has not done so already, ReAssure must add the additional £250 it has previously agreed to pay Miss D for distress. I believe this is a fair amount for upset caused in the circumstances of being over-insured and where Miss D says she was unhappy with the sale.

My final decision

I uphold this complaint in part.

Whilst I believe the recommendation for protection policies for Miss D's lifestyle requirements were principally suitable, the proposal for three policies (rather than two) was excessive for her documented circumstances, given some cover was duplicated and factoring in Miss D's disposable income.

ReAssure Limited must therefore to pay the redress I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 28 March 2022.

Jo Storey
Ombudsman