DRN-3456508

The complaint

Mrs C, through her representative, complains that Canada Life Limited mis-sold her a whole-of-life assurance policy.

What happened

In 1995, Canada Life recommended Mrs C apply to convert an existing term assurance policy into a whole-of-life policy. The term assurance policy was for £30,000 and was about to expire. It had an option to convert the policy into a whole-of-life policy without additional medical underwriting.

Canada Life advised Mrs C to convert the policy – which would pay out if her husband passed away. The sum assured was £30,000 and the premiums were £100 per month. The premiums were invested in the managed fund and the policy had the potential to build up a surrender value.

At the time of the advice Mrs C had over £405,000 in assets and was the sole beneficiary listed in her husband's will. Mrs C surrendered the policy in 2009 and received a surrender value of around £8,500. She complained through her representative recently. Specifically, her representative said there was no need for her to have this policy, and so it was unsuitable.

Our Investigator felt this complaint should be upheld. She said Mrs C's circumstances at the time didn't show a need for this policy so she didn't think the recommendation was suitable. She recommended Canada Life pays Mrs C a refund of premiums less the surrender value plus interest.

Canada Life disagreed. It said that it felt the policy was suitable for Mrs C as her husband was the sole earner and if he'd passed away, she'd need the lump sum. It also said that she'd been given sufficient information about the policy to make an informed choice. It asked for an Ombudsman to review the complaint.

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.

Having done so, I'm upholding this complaint as I don't think this policy was suitable for Mrs C. I'll explain why.

As Canada Life provided advice to Mrs C, it had a duty to ensure it was suitable for her circumstances. At the time of advice Mrs C was in her 50s. She had £405,000 worth of assets in her name, including £50,000 on deposit. It's recorded that she had a joint mortgage of £5,000 that was covered by life cover. Her husband was in receipt of a pension income at the time and they had a surplus income of over £700 each month. Her husband also had over £400,000 of assets and his will left everything to Mrs C if he passed away.

Mrs C was recommended to take a whole-of-life policy covering her husband's life. Canada Life say she needed this because he received the income. But Mrs C had enough assets to enable her to live should her husband pass away, and she'd receive his assets too – so could have assets of over £800,000 which included investments and cash on deposit. This policy would've paid £30,000. I can't see how an additional £30,000 of cover was needed in the event Mrs C's husband passed away so I don't think this policy was suitable.

I accept that this policy was converted from an existing term assurance policy. But that policy was to cover specific lending and was about to end. I can't see any reason for Canada Life to have recommended Mrs C convert her existing policy. And whilst this had the opportunity to provide a surrender value, the main feature was to provide life cover that Mrs C didn't require at the time. So, I don't think the advice was suitable.

I can see Canada Life has said it provided sufficient information for Mrs C to have made an informed choice. I can see that there was information about the policy provided, but as Canada Life recommended this policy to Mrs C she was entitled to rely on the advice she was given. And as that advice was unsuitable for her circumstances, Canada Life needs to put things right.

Putting things right

Canada Life Limited must refund the premiums Mrs C made towards this policy less the surrender value she received. Canada Life Limited must also add 8% simple interest per annum to the refund from the date the premiums were paid to the date of settlement.

If Canada Life Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs C how much it's taken off. It should also give Mrs C a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons I've explained, I uphold this complaint. Canada Life Limited must follow the instructions set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 29 June 2022.

Charlotte Wilson
Ombudsman