

The complaint

Mrs H has complained about advice received from Barclays Bank UK PLC when taking out a non-reviewable whole of life policy.

What happened

In February 2006 Mrs H took out a non-reviewable whole of life policy through Barclays. Advice was given to Mr and Mrs H but this complaint concerns the policy Mrs H took out.

Mrs H wanted to ensure that her family didn't have to pay her funeral costs. Accordingly she was advised to take out a whole of life policy with an initial sum assured of £3,300 and a monthly premium of £12.48. The policy included an indexation option – allowing for an increase in the sum assured for a corresponding increase in premium.

In 2021 Mrs H called the insurer and was told that her policy didn't have any bonus. Mrs H complained that the policy had been mis-sold to her. Our investigator recommended that the complaint be upheld. Barclays appealed. In summary it said that the policy recommended was suitable, that the role of the financial adviser was not to try and predict value for money based on assumptions about how long a customer might live and that there wasn't any suitable alternative.

As no agreement has been reached the matter has been passed to me to determine.

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'm aware I've set out the background to this complaint in far less detail than the parties and I've done so using my own words. I'm not going to respond to point made by the parties involved. No discourtesy is intended by this. Instead, I've focused on what I think is the key issue here. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

As the facts of this matter aren't in dispute so I'll focus on the reason for my decision.

The adviser recommended a policy that was suitable for Mrs H in that it would provide a lump sum in the event of her death if she continued to pay the premiums.

However we would expect the significant risk that it was possible that a consumer might pay more than the policy benefit to be highlighted. Frequently this is contained in the documentation – but it wasn't on this occasion. Further it doesn't appear that Mrs H was warned as her evidence is that she was unaware that this was a possibility - she said she didn't realise she could pay more than the policy benefit.

I find that her evidence is plausible – in that she also thought the policy would provide bonuses. It didn't and there is no evidence she was told it would. But this leads me to conclude that Mrs H wasn't fully aware of the product she was buying or how it worked.

I fully accept that the role of Barclays wasn't to predict value for money based on assumptions about how long a customer may live for. Indeed, Mrs H hasn't yet reached the 'tipping point' – from what I've seen she hasn't paid more in premiums than the policy benefit. I've thought carefully about this and I recognise that Barclays has been on risk since 2006. The policy wasn't wholly unsuitable, but there was a significant risk that wasn't highlighted.

Barclays says there wasn't any suitable alternative, but I need to determine what would have happened if the risk *had* been drawn to Mrs H's attention. On balance I find that had Mrs H been made aware that she could pay in more than the benefit she wouldn't have taken this policy out. It was a risk she didn't want to take.

Accordingly I require Barclays Bank UK PLC to put Mrs H in the position she would have been in had the policy not been sold by refunding the premiums paid with interest.

My final decision

My final decision is that I uphold this complaint. I require Barclays Bank UK PLC to refund the premiums paid by Mrs H with 8% simple interest from the date each premium was paid until settlement.

For completeness I would add that if Mrs H accepts this decision, it means the policy will no longer be in force.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 8 December 2022.

Lindsey Woloski
Ombudsman