

The complaint

Mrs M complains that she was mis-sold a savings policy in 1990 and a reviewable personal protection (whole of life) policy in 1991 by CASLP Limited. She is represented by a claims management company ('CMC') in bringing her complaint.

What happened

Mrs M stopped paying premiums for both policies 20 months later. It was noted she did so because she could no longer afford the premiums, due to a change in her circumstances.

In October 2021, the CMC complained. It said both policies had not been suitable for Mrs M. In respect of the savings policy it said Mrs M was single, aged 21 and had no recorded need for a long-term inflexible savings contract particularly when she had a personal loan to repay. It also said the protection policy had life cover that Mrs M had no requirement for.

CASLP said that since both policies had lapsed in 1991, Mrs M had made her complaint too late, when looking at the six-year and three-year time limits that applied to this service.

The CMC brought the complaint to this service where it was considered by one of our investigators. The investigator firstly concluded the complaint had been pursued in time, as Mrs M's cause for complaint arose in 2021. CASLP asked for a decision, and so the complaint was referred to one of our ombudsmen.

The ombudsman concluded that the complaint had been pursued within the relevant time limits. He noted Mrs M only ended her policies because she wasn't able to make regular payments – and that wasn't what she was complaining about now. He didn't think that cancelling the policies early should have placed her on notice that either of them may have been mis-sold and for that reason he believed the cause for complaint arose in 2021, when Mrs M met with the CMC.

Looking at the merits of the complaint, our investigator believed it should succeed, in part.

In respect of the savings policy, he felt this had been suitable for the adviser to recommend, noting that Mrs M had cancelled the policy because she changed jobs, not because it was unaffordable from the outset. However, he did not believe there was any established need for a whole of life policy where the first savings policy contained an element of life cover. And he noted how Mrs M had been very young and without financial dependants at that time.

Our investigator believed the complaint about the whole of life policy ought to succeed, and he proposed that CASLP refund the premiums Mrs M had paid, with simple interest.

CASLP accepted the investigator's view. The CMC said Mrs M agreed with the proposal to uphold the complaint aspect about the whole of life policy, but it maintained that the savings policy was also wrongly sold. It said this was an unsuitable long-term contract which did not meet Mrs M's needs at the time of the advice.

CASLP thereafter said it would welcome an ombudsman review of the whole 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 looked at everything before me, I also believe this complaint should be upheld in part, on the same basis that has been suggested by our investigator.

The savings policy had a chosen monthly premium of £30, and was set up for a 42-year term. Life assurance was included to ensure any gains arising from the policy were exempt from income tax. It was recorded on the application that Mrs M had wished to save for a future event relating to having a family, and I do not believe the inclusion of a small proportion of life cover (in this case £1,161) rendered the policy unsuitable for that purpose.

I recognise that Mrs M was only 21 at the time of the advice, and she did not own any property or have dependants. But that of itself doesn't mean the proposal for a savings policy was automatically unsuitable, merely because it was set up as a long-term investment. Mrs M had set out how future family needs were a consideration for her. After the cost of her expenses and servicing her loan were deducted from her net monthly salary, she had a recorded £375 of disposable monthly income.

In the round, I do not believe the recommendation was unreasonable. While I do accept that the prudent advice was for Mrs M to commit to building up emergency savings - since it is documented she had no savings available - she could have endeavoured to do so with her remaining £345 of monthly disposable income. There will be a point at which all investors undertake investment decisions for the first time and I'm satisfied, on the balance of probabilities that this policy was a suitable recommendation for Mrs M to achieve her future savings goals alongside clearing any debt and saving in the immediate term.

However, like our investigator, I do not believe the proposal for the additional whole of life policy was suitable for Mrs M. I say that because Mrs M's circumstances hadn't changed in the months between the recommendations – she did not require the life cover provided by the policy, and at the time of the proposal in 1991, she already held an investment savings policy that had an element of life cover attached.

I recognise the sum assured on the whole of life protection policy was a larger sum assured of £7,469 than that of the savings policy. However, I've seen no clear evidence that having life cover for an additional £20 monthly premium where Mrs M did not have any major financial liabilities or family members to protect in the event of her death was, or should have been, a documented need or priority for her.

Given Mrs M's only documented debt was of a similar value to the sum assured in the savings investment policy, and her continued need to build up emergency savings, I do not believe that this second policy (notably of a reviewable long term nature with an increased amount of life cover) was an appropriate suggestion in Mrs M's specific circumstances.

Putting things right

CASLP ought to calculate the total premiums Mrs M paid into her policy from inception, until it lapsed in 1991. To this calculation, it must add Interest. This should be at a gross annual rate of 8% simple, less tax (if properly deductible), from the date each premium was paid, to the date of settlement.

If CASLP considers it is legally obliged to deduct income tax from the interest paid, it should

issue a tax deduction certificate with the payment. Mrs M may be able to reclaim the tax paid from HM Revenue and Customs, if applicable.

My final decision

I uphold this complaint. CASLP Limited must pay Mrs M the redress I've set out above. I make no other award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 9 January 2023.

Jo Storey
Ombudsman