

The complaint

Mr B complains about the way that Fairmead Insurance Limited administered his personal income protection insurance policies.

What happened

In 2014, Mr B was sold four income protection insurance policies by a broker. Three of those policies were branded as 'Lifestyle' policies. Each of the three policies provided benefit for up to 12 months and each provided a potential monthly benefit of £500. The fourth policy was a Business Partnership policy, with two named policyholders. This had a deferred period of 52 weeks and provided a potential monthly benefit of £1500.

Mr B paid separate direct debits for each policy until May 2021. However, at that point Fairmead got in touch with Mr B. It said that prior to 2018, it had allowed policyholders to hold multiple Lifestyle policies. But, from 2018 onwards, Fairmead had merged multiple Lifestyle policies into one policy. Due to an oversight on Fairmead's part, Mr B had continued to hold separate Lifestyle policies until May 2021. It merged the three policies into one policy with a total combined monthly benefit of £1500.

Fairmead told Mr B that it had calculated the premiums he had paid for the three Lifestyle policies between 2018 and 2021. It compared these with the premiums it said he would've paid had it merged them into one policy when it should've done. Fairmead said that Mr B had paid less for holding three policies than he would've done had it merged his policies back in 2018. So it didn't think he'd been financially disadvantaged in any way. It did pay him £100 compensation though to reflect the inconvenience he'd been caused.

Mr B was unhappy with Fairmead's administration of his policies. And he queried Fairmead's premium calculations. He was concerned too that Fairmead may have maladministered the Business Partnership policy. He asked us to look into his complaint.

Our investigator asked Fairmead for further information about its premium calculations. Based on the evidence she'd seen, she didn't think Fairmead had shown that Mr B hadn't lost out as a result of its oversight in delaying the merger of the three Lifestyle policies. So she recommended that Fairmead should refund the difference between each premium Mr B had paid for the three policies between 2018 and the policy merger and what he was offered in March 2021, together with interest at an annual rate of 8% simple.

The investigator noted that the Business Partnership policy was a separate policy to the Lifestyle policies. She thought, given it would pay out after the potential maximum benefit under the Lifestyle policies had been paid, that it had been intended to bridge the gap and wouldn't form part of the merger.

Fairmead disagreed with the investigator. It provided some further calculations, which the investigator challenged. She asked it for further pricing information. However, despite providing Fairmead with an extension to gather the information, it failed to send anything further to us.

The complaint's been passed to me to decide. I note from the complaint form Mr B completed that he has concerns that the policies were mis-sold to him. However, Fairmead didn't sell the policies to Mr B and so it isn't responsible for what happened at the point of sale. If Mr B thinks any of the policies were mis-sold to him, he'll need to make a separate complaint to the broker.

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 don't think Fairmead has shown that it's treated Mr B fairly and I'll explain why.

First, Mr B appears to have accepted the investigator's findings in relation to the Business Partnership policy. So I don't intend to explore this point in detail. For completeness though, the policy documentation Mr B sent us shows that this was a joint Business Partnership policy. While it offered income protection benefit, it included a deferred period of 52 weeks and doesn't appear to have been a Lifestyle policy. It was also one policy which would've paid the full monthly benefit of £1500 rather than being split across multiple policies. This means that I think this was a separate and distinct policy and wouldn't have been subject to the policy consolidation process.

It's common ground that in 2018, Fairmead changed its policy surrounding the holding of multiple Lifestyle policies. It decided that multiple policies would be merged into a single policy. As Mr B held three Lifestyle policies, each providing a monthly benefit of £500, his policies should've been merged into one policy with a total single premium calculated using a monthly benefit amount of £1500. However, due to Fairmead's error and oversight, in Mr B's case, this didn't happen until May 2021.

Where a financial business makes an error, it needs to ensure that its mistake doesn't cause a consumer to lose out. In this case, Fairmead has provided calculations from its pricing team, which it says show that had the merger happened as it should, Mr B would actually have paid more for a single policy.

However, like the investigator, I don't think that Fairmead's calculations do clearly demonstrate that Mr B benefited from its mistake. On the contrary, I've looked closely at the schedule of direct debit payments Fairmead sent us which shows each of the monthly payments Mr B paid for each of the Lifestyle policies between 2018 and policy consolidation. And I've calculated the broad annual payments Mr B made for the three policies. L&G charged Mr B £46.13 per month for the consolidated policy from June 2021 onwards. The total annual premiums Mr B was charged between the 2018 renewal and the merger of the policies in May 2021 do currently suggest that Mr B was paying more for holding three policies rather than one consolidated policy.

Fairmead has provided us with contradictory figures as to what Mr B would've been charged. In its final response letter, it said that Mr B would've paid around £1400 in 2018 – which is more than he actually paid. In its response to our assessment, it said that in 2018, Mr B would've paid £724.25 for a new policy at renewal. This amount is less than the premium he *did* pay in 2018 for example.

And the figures it provided for the following years prior to the merger all suggest that Mr B would've been charged less for one new single policy than he did pay for three Lifestyle policies. In 2019, Mr B paid £918.69, in 2020, he paid £826.23 and in 2021, a total amount would've been due of £527.96. Fairmead said that in 2019, a new policy would've cost

£652.27 and in 2020, a new policy would've cost £587.05.

What's clear is that Fairmead has given us unclear and conflicting information about what it would've charged Mr B had the merger happened as it should in 2018. Despite being asked for clearer information some time ago, which provides greater detail about the pricing, to date, it's failed to provide this. On the evidence before me, I can't fairly conclude that Fairmead has shown, on balance, that Mr B hasn't suffered a financial loss because of its actions. Indeed, the available evidence suggests that he was disadvantaged financially by Fairmead's error.

So I need to think about how Fairmead should put things right. Looking at the pattern of Mr B's annual payments, it does appear that his total premiums fell between 2018 and 2021. I accept then that it's possible that a consolidated policy may well have cost more in 2018, 2019 and 2020 than it cost in 2021. So strictly, it might be fair for Fairmead to calculate what Mr B should've actually paid each month during the relevant period had the merger happened and pay him the difference between those payments - if its calculations show he suffered a loss.

However, Fairmead has told us that it's difficult to reconcile calculations of past premiums and there have been substantial delays in it providing us with clear, understandable pricing information. So I need to think about a pragmatic and fair resolution for both parties which will bring this matter to a close. What we do know is that once the merger took place, from June 2021 onwards, Mr B was charged a monthly premium of £46.13. In the circumstances, I think the fairest and most sensible way forward is for Fairmead to calculate each monthly premium Mr B did pay between the point the consolidation ought to have happened and compare it with a monthly premium of £46.13. If Mr B paid more for holding three policies rather than a single policy priced at £46.13 per month, Fairmead should refund Mr B the difference between each monthly premium, together with interest of 8% simple from the date each premium was paid until the date of settlement. Fairmead should provide Mr B with a breakdown of the settlement.

If however, the calculation shows that Mr B paid less than he would've done had the merger happened as it should, then Fairmead will not need to refund any premiums. I would expect Fairmead to provide Mr B with a clear explanation as to how it calculated these amounts and why no refund is due.

My final decision

For the reasons I've given above, my final decision is that I uphold this complaint.

I direct Fairmead Insurance Limited to:

- Calculate the monthly premium Mr B paid for each of the three Lifestyle policies between the point the merger should've happened and compare this with a consolidated monthly premium of £46.13. If this calculation shows Mr B paid more than he should've done as a result of Fairmead's oversight, then Fairmead must refund the difference between each monthly premium he paid and £46.13.
- Add interest to any settlement paid at an annual rate of 8% simple from the date each premium was paid until the date of settlement.

If Fairmead considers it's required by HMRC to take off income tax from the interest it has paid, it should tell Mr B how much it's taken off. It should also give Mr B a certificate showing this if he asks for one, so he can reclaim the tax from HMRC if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 November 2022.

Lisa Barham
Ombudsman