

The complaint

Mr and Mrs C complain Aviva Life & Pensions UK Limited (Aviva) didn't make the process clear for the cancellation and encashment of a whole of life (WOL) insurance policy. They complain they weren't told to continue with their direct debit until the surrender forms had been returned.

What happened

The background of the complaint is already well known to both parties, so I won't repeat it in detail here. In summary, Mr C called to cancel the WOL policy he held jointly with Mrs C in April 2021 and cancelled his direct debit. However, he found out the policy hadn't been cancelled and the charges associated with the life cover and other benefits had been deducted from the overall value of the policy.

Mr C complained to Aviva who sent their final response. Mr C remained unhappy and asked our service to investigate. During the investigation, Aviva offered Mr and Mrs C £100 compensation as an apology.

Our Investigator issued a view explaining why they felt Aviva's offer was fair and reasonable in the circumstances. Mr and Mrs C didn't agree. Therefore, the case has been passed to me to decide.

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 want to reassure Mr and Mrs C that I've thought carefully about everything submitted. I appreciate Mr and Mrs C's time in making the submissions to our service. If I don't mention a specific point it's not because I've not considered it, it's simply because I don't think I need to comment on it to reach what I think is the right outcome in this particular case.

I've listened to the call between Mr C and Aviva on 12 April 2021. Mr C clearly instructed Aviva to stop the policy with immediate effect and cash in the fund. Aviva took some details and confirmed they would send out the surrender form within ten working days. Mr C has said he understood the policy was cancelled following the call. However, I'm satisfied it was reasonably clear he needed to take further action and return the surrender form before Aviva could cancel the policy.

During the call, Mr C did tell Aviva he would cancel the direct debit. Aviva should have explained the consequences of doing so if a payment fell due before the surrender form was returned. This would have given Mr and Mrs C more clarity about the cancellation process. However, as explained above, I think it was clear Aviva needed to receive the surrender form before cancelling the policy and so it could be understood the policy was still in force and premiums due.

Additionally, I've seen the surrender form was sent promptly to Mr C on 14 April 2021. Aviva asked for some further information to complete the request to cancel the policy. Mr C has said he thought the surrender form was only in respect of the investment element of the policy and didn't realise it was needed to cancel the insurance element. However, I'm satisfied it was clear from this letter and what the call handler had explained over the phone that the surrender form was necessary to cancel the policy. There was no reference to separate elements of the policy.

Moreover, on 15 April 2021 Aviva sent Mr C an overdue premiums statement and confirmed the amount due. They also stated that if the payment was not received then the unpaid premium conditions would apply. Mr and Mrs C have said the next line stated the policy may be cancelled so they thought this would be the consequence and this was something they wanted in any event. Also, elsewhere in the letter it said units would not be purchased until payment is received.

I appreciate some more detail might have been helpful here about the specific conditions. I recognise Aviva's letter of 19 May 2021 did explain the cost of maintaining the life cover and other benefits would be met by deducting charges from the total value of the units. Nevertheless, I'm satisfied reference to the conditions in the letter of 15 April 2021 provided Mr and Mrs C the opportunity to check the conditions, and also gave them an opportunity to bring the premiums up to date if they wanted to.

Overall, I'm satisfied Aviva should have been clearer about the cancellation process and consequences of cancelling the direct debit. But they sent the surrender form and missed premium statement promptly. I'm satisfied it was reasonably clear that Aviva needed the surrender form before carrying out Mr and Mrs C's request. Therefore, I don't agree Aviva have caused Mr and Mrs C a financial loss. It was reasonable for Aviva to apply the unpaid premium conditions because it was clear the policy was still in force and premiums hadn't been paid.

Putting things right

Aviva should have been clearer about the consequences of cancelling the direct debit. Whilst I don't agree Aviva have caused a financial loss, I can understand the frustration caused. Therefore, Aviva's offer to pay Mr and Mrs C £100 compensation is fair and reasonable in all of the circumstances of this complaint.

My final decision

For the reasons outlined above, Aviva Life & Pensions UK Limited should pay Mr and Mrs C £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 7 December 2022.

Laura Dean
Ombudsman