

The complaint

Ms P complains that Zurich Assurance Ltd mis-sold her a unit linked whole of life policy.

What happened

In 1998, Ms P was advised to take out a unit linked whole of life policy which provided her with £100,000 of cover if she passed away as well as £100,000 of cover if she has a specified critical illness. The cover cost around £41 per month. Zurich is now responsible for the sale.

Ms P is represented by a Claims Management Company (CMC). Her CMC has said this policy was unsuitable as Ms P was living at her parents' home at the time and needed to save to purchase a property rather than invest in a unit linked plan. The CMC said if critical illness cover (CIC) was required, Ms P ought to have been told to go elsewhere to buy it as a standalone policy.

Our Investigator initially upheld the complaint as she felt that Ms P had life cover elsewhere and was living at her parents' house, so didn't have a need for the cover. Zurich said that the suitability letter outlined that Ms P was looking for additional cover but acknowledged the additional life cover was excessive for her circumstances. But it felt the recommendation for CIC was suitable. So, it offered to refund Ms P the cost of the life cover plus 8% interest – Ms P could then choose to continue the cover should she wish knowing it contains both life and CIC. Our Investigator felt this offer was fair and reasonable.

Ms P disagreed. Her CMC said the offer wasn't fair but felt a reasonable offer would be a full refund of premiums less the cost of CIC plus interest. It said from this amount the surrender value could be deducted. The CMC felt that the offer Zurich made isn't reasonable as a considerable portion of the premiums goes towards the investment and this plan wasn't taken out for investment purposes. It asked for an Ombudsman to review the complaint and mentioned previous decisions it had received.

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 agree that Zurich's offer is fair and reasonable. I'll explain why.

Ms P was working full time and living with her parents when she was sold this policy. It's documented that she had regular outgoings but may change jobs in the future. Ms P has said she was looking to save to purchase a house. I don't think that having CIC was unsuitable for her. As she had regular income and regular committed expenditure the cover would ensure she could continue to pay for this if she became ill. It would also go some way to ensuring she could pay for any care or adaptations she may need as a result. It appears all parties are in agreement that CIC could be useful for Ms P.

I can see that Ms P had life cover already when she was sold this plan. And I agree with her CMC that she doesn't appear to have a need for any additional life cover. Although, I suspect that given it was part of the plan and came at a minimal additional cost that Ms P would likely have seen some benefit to paying a small additional premium to double her existing life cover. However, I do agree that she already had £100,000 of life cover at the time and with no dependents, Ms P's need for additional life cover doesn't seem apparent – and it appears all parties are in agreement with this.

Zurich has offered to refund the cost of the life cover Ms P has paid plus interest. I've noted that Ms P's CMC wants a different method of redress but I think Zurich's offer does enough to put things right. Ms P says that a large part of the premium went towards the investment element – but I can't see that was the case from her plan illustration. It appears the large majority of the premiums paid for the CIC – and the illustration shows that the cash in value would be minimal regardless of growth in the earlier years and much later in life – indicating that there wasn't much premium going towards the investment. The plan was primarily set up to provide protection which is what Ms P wanted based on the documents from the point of sale.

I acknowledge that Ms P's CMC has quoted other decisions it has received to show the redress should differ. But this service looks at each case individually, and in this case, I think Zurich's offer to refund the cost of the life cover to Ms P is fair – as the CIC was suitable for her needs and it appears from the point of sale documents that she was looking for additional protection. I also appreciate that it would be expensive now for Ms P to obtain new cover – but it is up to Ms P to decide whether to maintain her cover going forward with the knowledge that the CIC element was always suitable for her.

Putting things right

Zurich Assurance Ltd must pay Ms P the offer it has made which is to be calculated as follows:

- Refund the cost of life cover since inception to the date of this decision plus 8% interest from the date each premium was paid to the date of settlement.

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

My final decision

I uphold this complaint. Zurich Assurance Ltd must follow the instructions set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 14 December 2022.

Charlotte Wilson
Ombudsman