

The complaint

Mr Y is unhappy that ReAssure Limited (“ReAssure”) didn’t provide him with information he requested about making changes to his policy. He’s also unhappy about the delays he experienced.

What happened

Mr Y held an income protection policy with ReAssure Limited. The policy – called an Income Security Plan - was inceptioned in 1998 and at that time his annual income was given as £60,000 per annum. The policy was index-linked meaning his premiums and benefits could change over time.

In September 2020, Mr Y received a letter from ReAssure (I’ll refer to this as the “update letter”) letting him know about changes to his policy due to indexation. This letter confirmed an increase in Mr Y’s monthly premium and the new policy benefit amount – which for his annual salary of £60,000, was £4,778.26 per month.

As a result of this letter Mr Y got in touch with ReAssure. He wanted updated information about the premium and Income Replacement Benefit of his policy as his income (salary) had reduced to £50,000 per year.

He had to chase ReAssure more than once for the information he’d requested. He’s said he was worried because his premiums, based on an insured salary of £60,000, were due to go up in November 2020. And he was worried he was over-insured.

In early November 2020, ReAssure wrote to Mr Y to confirm he could decrease his policy benefits and premium. It gave him details of the monthly income protection benefit amount and the monthly premium for £50,000 of annual benefit. On receipt of that information, Mr Y realised there’d been a mistake so clarified his request. He confirmed he wanted to know the monthly benefit amount and corresponding premium for £50,000 annual *earned* income (salary), not for £50,000 of annual benefit.

In early December 2020, Mr Y received a further letter from ReAssure. It said it couldn’t provide the maximum benefit allowed based on his yearly income of £50,000 unless he could confirm the amount of monthly income protection benefit he required. It went on to say it was unable to provide financial advice and recommended he contact an independent financial adviser.

Mr Y was unhappy with ReAssure’s response and raised a complaint. He told ReAssure he didn’t believe giving him the premium and benefit information he’d requested equated to ‘financial advice’. He thought it should be able to give him information about the premium he’d need to pay to insure an annual salary of £50,000, along with the Income Replacement Benefit amount. Unfortunately, there was a further delay in his complaint being investigated.

In June 2021, ReAssure responded to Mr Y’s complaint. It said *“I agree the letter is confusing as it suggested we’re providing a quote for £50,000 of benefit each year. This is a typing error as the letter does confirm the level of Income Replacement Benefit and monthly*

premium for a salary of £50,000". It recognised the poor service he'd received and offered to pay Mr Y £125.00 to say sorry.

Mr Y remained unhappy and contacted ReAssure again. He wasn't satisfied the quote he'd received in November 2020 was accurate. He pointed out that the calculation of the monthly benefit for a salary of £50,000 was also £50,000. He didn't believe the policy would pay him benefit equivalent to 100% of his annual salary in the event of a claim. He also complained he was still paying the premium to insure a salary of £60,000 - so he was over-insured.

ReAssure wrote to Mr Y again and reiterated its position. It said it couldn't provide a further breakdown of benefit information for Mr Y as, at the point of a claim other benefits he might be entitled to would need to be considered.

Mr Y remained unhappy and referred his complaint to this Service.

An investigator here considered his concerns but didn't uphold his complaint. He agreed ReAssure hadn't given Mr Y the level of service it should have but thought the payment of £125.00 fairly recognised the problems he'd experienced. He also accepted ReAssure's position that it couldn't give Mr Y the monthly benefit information he wanted unless Mr Y first provided ReAssure with the monthly benefit he needed.

Mr Y didn't agree with our investigator's opinion and so the case has been passed to me for a final determination.

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 issued a provisional decision on this complaint because my findings differed from that of our investigator. In my provisional decision, which forms part of this final decision, I said:

The crux of this complaint stems from a request – from Mr Y to ReAssure – about making an adjustment to his policy.

The obligations placed on ReAssure by the Financial Conduct Authority ("FCA"). PRIN 2.1 The Principles says:

2.1.1.6 A firm must pay due regard to the interests of its customers and treat them fairly

2.1.1.7 A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.

I'm not satisfied, based on the evidence presented to me that ReAssure has met this obligation. Let me explain.

Mr Y asked ReAssure for a quote giving him two key pieces of information – the premium he'd have to pay to insure his annual income of £50,000 and the correlated monthly benefit amount. This is the equivalent information he received in the September update letter related to his higher salary.

Between ReAssure's November letter and Mr Y clarifying his request a few days later, he missed two phone calls from ReAssure.

Mr Y tried to return the calls but couldn't get through and then emailed ReAssure with his mobile telephone number so it could contact him again. Unfortunately, I don't think ReAssure and Mr Y had a chance to speak – but if they had of done so, I think it's likely this situation could have been resolved. Unfortunately, what followed was misunderstandings and frustration.

ReAssure hasn't provided Mr Y with all the information he needs to adjust his policy to reflect his changed circumstances. He's been paying premiums to cover an insured salary of £60,000 despite knowing, that in the event of a claim, ReAssure would adjust his benefits to reflect his reduced income, and in line with the other policy terms. Following the intervention of our investigator, Mr Y is now aware that in the event of a claim, the maximum benefit he'd receive would be 65% of his income up to £45,000 and 35% of anything £45,000 and above. That's information ReAssure should have been able to give him. I accept that at the time of a claim, benefits from other sources, might need to be considered.

I don't think Mr Y's original request to ReAssure was unreasonable. The September update letter included three tables – two of the tables seem most relevant to Mr Y's subsequent request.

- *Table 2 shows three columns headed "Premium", the "New Monthly premium amount" and the "Indexation rate".*
 - *Mr Y wanted to know the premium he'd have to pay to reduce his cover from a £60,000 to a £50,000 annual salary.*
- *Table 3 shows a breakdown of the policy benefits. In Mr Y's case this shows as "PHI" and "Non Linked Target". For "PHI" it gives a figure for the "New benefit amount" and the "Indexation rate".*
 - *Mr Y wanted to know the new benefit amount against a salary of £50,000.*

As ReAssure was able to provide this information for a salary of £60,000, I think it's reasonable it could provide the same information against the lower salary amount.

ReAssure recognised its service hadn't always been of the standard Mr Y should expect but I'm not satisfied £125 fully reflects the delays and frustration Mr Y has experienced. He had to chase ReAssure several times for the information he wanted, and it took a long time for ReAssure to respond to his complaint. And while ReAssure say it can't give financial advice, I'm not satisfied the information Mr Y was asking for constitutes financial advice.

Both parties responded and accepted my provisional decision, so I see no reason to depart from my original findings.

Putting things right

To put things right, ReAssure Limited should:

- Confirm the monthly premium Mr Y would need to pay for cover for an annual salary of £50,000, along with confirmation of the monthly benefit amount.
- If Mr Y opts to reduce his level of cover in line with his reduced annual salary, ReAssure should apply that change to his policy from November 2020 and refund him the difference between the higher premiums he's paid since then and the new lower premium. It should also add 8% simple interest* from the date the higher premium was paid to the date of settlement.
- Increase the level of compensation offered to Mr Y for poor service to £175.00 in total. If ReAssure has already paid the £125.00 originally offered, it should now pay the balance of £50.00.

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

My final decision

My final decision is that I uphold this complaint and ReAssure Limited should put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 3 February 2023.

Sian Brightey
Ombudsman