

The complaint

Mr B complains that Scottish Widows Limited won't increase the sum assured on a "Protection for Life" level term life assurance policy.

What happened

Mr B's policy began in 2016. He's received annual plan summaries that said the plan provided "Cover that can change with you". The summaries – including the latest one from 2023 – explain:

"Your Protection for Life plan is specially designed to be able to change as you move through your life."

The summaries list taking on a larger mortgage as one of the reasons other customers have had for making changes to their plans.

With this in mind, Mr B asked Scottish Widows about topping up his policy in 2022, when he'd taken on a larger mortgage. But they told him they couldn't increase the sum assured because they'd stopped selling Protection for Life policies.

Mr B complained. Scottish Widows offered him £50 compensation for the upset he'd been caused. And they offered to put Mr B in touch with a broker who could find him a second life policy to cover his increased borrowing.

Mr B wasn't satisfied with that response, and brought the matter to us. I wrote a provisional decision last month setting out why I intended to uphold this complaint. But I also explained how the need to apply for a new policy didn't appear to be too different to what would have happened if Scottish Widows hadn't changed their process. So I limited the remedy for this case to acknowledging the trouble and upset caused for Mr B.

We haven't had a response from Mr B to that decision, which I've taken to mean he has nothing further he wants to add before I make a final decision. Scottish Widows have responded, saying they don't agree with me for the following reasons.

- They say there wasn't a contractual obligation for them to agree to increase cover.
- They didn't feel they needed to tell customers they couldn't now increase their cover.
- They felt any impact from continuing to suggest or imply cover could increase was mitigated by the fact other types of policy could be sold to achieve that result.
- They felt the impact on Mr B could have been less if they'd explained that better.

I've considered those comments, but my decision remains the same. So I'm going to largely repeat what I wrote last time. But I'll change and add a few sentences to explain why Scottish Widows' latest response hasn't changed my mind.

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've decided to uphold this complaint. I'll explain why.

Scottish Widows have talked about contractual obligations. I can appreciate their policy had terms and conditions, which are typically how such obligations are set out in an agreement. But in order to be fair to their customers, those terms should be consistent with everything else Scottish Widows says about its products.

I can accept that the terms for this policy didn't specifically say Mr B would be able to increase his sum assured after setting his policy up. But statements elsewhere in Scottish Widows' information indicated he could. For example, the section I've quoted above, which says the policy was "specially designed" to change with Mr B's changes in life.

I understand Scottish Widows have chosen to change the way they provide life cover, such that they can't now increase the sum assured on the policy Mr B has. But that decision had a significant impact on the way this policy would work for him and other existing customers.

So I find Scottish Widows should have done more to tell Mr B about the change when it happened. That would have been in keeping with the spirit of the policy's provisions, which said customers would hear about exceptional changes in circumstances affecting the policy.

I also find it unreasonable Scottish Widows haven't updated their annual plan summaries. The latest of these still refers to customers changing their policies after increasing their mortgages. That implies a change to increase the sum assured to match the increased borrowing is possible.

Scottish Widows have known since 2020 that isn't now possible. In their latest response they accept this "may have been ambiguous". I find it certainly was for Mr B, who understandably had the belief he could increase his cover when his mortgage increased.

Putting things right

With that said, I've then thought about what needs to happen here to put Mr B in the position he would have been in, if Scottish Widows had provided a reasonable level of service.

I've returned to a key features document that Scottish Widows wrote for this policy. On page three that said:

"At any time you can ask us to top-up or reduce your benefit amount..."

"We may need more information about you, such as further medical details. If we agree to your request, we'll tell you how it affects your benefit – for example, your premiums may change."

That tells me Mr B may always have had to follow a similar process to the one he now faces – an assessment of his circumstances to determine how much more he'll need to pay for the extra cover he wants.

I can accept Scottish Widows' comments that the cost of cover under their new life assurance options is going to be less than it would have been under the Protection for Life plan. In that case, there isn't a substantial difference for Mr B.

That means I can't see a need to put right any financial loss caused for Mr B. Arranging a new policy rather than a top-up one will get him to the position he'd otherwise have been in.

But I can see Mr B is upset that his policy isn't doing what Scottish Widows told him it would. And I can see that by continuing to send him the annual plan summaries that don't reflect the true position, Scottish Widows are adding to Mr B's frustration.

That is an impact in this case, which hasn't been mitigated to date. To acknowledge that impact, I find it'll be reasonable for Scottish Widows to pay Mr B compensation of £350.

This reflects that if they'd told him about the changes affecting his policy back in 2020 – or even as Scottish Widows say done a better job of explaining things in 2022 – he'd have likely been happier to accept the new policy option seemingly needed now.

My final decision

I uphold Mr B's complaint about Scottish Widows Limited. To put this matter right, they should pay him £350 compensation for the upset and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 June 2023.

Paul Mellor
Ombudsman