

## The complaint

Mr and Mrs S complain about Legal and General Assurance Society Limited, referred to as “*Legal and General*” or “*the business*”.

In short, they say the business cancelled their life cover policy (“the policy”) by mistake, and despite upholding the complaint, hasn’t provided a fair and reasonable resolution to the problem.

## What happened

Mr and Mrs S say they called up the business to update their records following a re-mortgage. They were initially told that the business doesn’t have a record of the policy. In due course it came to light that the policy was cancelled in error.

The business upheld the complaint. It explained that in 2018 their policy had been cancelled in error, because it had the same policy number as a customer who wanted to cancel their (the customer’s) policy. That’s why when Mr and Mrs S called the business in May 2021, it couldn’t find the policy.

It agreed to reinstate the policy (without a new declaration of health (DOH)) contingent upon Mr and Mrs S paying the missed premiums (in the sum of around £4,697 at the time) to bring the policy up to date – it’s happy to arrange a payment plan over 12-24 months in order to make them pay the missed premiums. It made clear that it doesn’t usually do this if premiums haven’t been paid for over three months. Alternatively, Mr and Mrs S could apply for a new policy.

The business also made clear that in the event of a valid claim, it would’ve paid out the sum assured despite there not being a policy in place at the time, due to its error. In the circumstances it also offered Mr and Mrs S £350 compensation for the distress and inconvenience caused.

Unhappy with the business’s response, Mr and Mrs S referred the complaint to our service. They’re unhappy that they still don’t have life cover and aren’t in a position to pay the missed premiums. Given Mr S’s health, they just want their old policy to be reinstated.

One of our investigators considered the complaint and thought the offer by the business was broadly fair and reasonable. In summary, she said:

- It’s fair that the business is willing to reinstate the policy, without a DOH, providing the missed premiums are paid, via a payment plan.
- If Mr and Mrs S don’t wish to pay missed premiums, they can apply for a new policy which meets their needs. It might be worth discussing the idea with the business.
- Given our approach to redress, it’s not unfair to ask Mr and Mrs S to pay the premiums that they would’ve paid anyway, had the policy not been cancelled in error.
- The £350 compensation offered by the business is broadly fair and reasonable. In the circumstances it reflects the distress and inconvenience caused.

There's been much correspondence between Mr and Mrs S, the business, and the investigator regarding the redress offered by the business.

They remain unhappy with the options proposed, and still very concerned that they remain without cover whilst this matter is being dealt with.

They believe the repayment of the missed premiums should be over the lifetime of the policy – not 12-24 months – and certainly not through some 'debt recovery' scheme. The increased premiums (current premium with missed premiums) are simply unaffordable. Obtaining a new policy with the business also isn't a viable option – despite doing everything they could, the business still refused to cover Mr S.

They maintain that the business made the error but offered an unworkable solution, along with compensation that doesn't cover the distress and inconvenience caused.

The investigator, having considered the additional points and liaised with the parties, in brief made the following points:

- It's not our role to negotiate premiums, that's something that Mr and Mrs S will have to do themselves, going forward. But the payments must be fair and affordable.
- The repayment of missed premiums – over 12-24 months – is unaffordable, especially with the cost-of-living crises. The business should really give them longer – based on affordability – as there are four years of premiums to be paid.
- Mr and Mrs S now no longer wish to reinstate the policy.
- Whilst they'd would like £2,500 compensation, as full and final settlement of this complaint, the investigator doesn't think it's fair.
- The business should increase the compensation to £500.

The business disagreed with the investigator's latest view and maintains that its offer of redress is broadly fair and reasonable. It doesn't agree with paying £500 compensation.

As no agreement has been reached, the matter has been passed to me for review.

### **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, subject to any further submissions, provisionally I'm going to uphold this complaint.

There's no dispute that the business cancelled Mr and Mrs S's policy in error. I understand that checks that should've been in place to prevent the error happening in the first place weren't followed. Because the business upheld the complaint, the key issue for me is to consider is redress, and whether (or not) it's fair and reasonable in the circumstances.

On the face of the evidence, and on balance, I'm not persuaded that the redress offered by the business is reasonable. In the circumstances, and on balance, I think the business should do the following:

1. Give Mr and Mrs S the opportunity to reinstate the policy, without DOH, which I understand the business has already offered to do.
  - a. In the circumstances, and on balance, I think the business should also offer a 25% discount on the (missed) premiums owed.

- b. Mr and Mrs S should be given at least 36 months, to pay the missed premiums.
2. The business should also pay Mr and Mrs S £500 compensation for the distress and inconvenience caused.

I'm aware that it was the business that cancelled the policy and did so by mistake. So, it was through no fault of their own that Mr and Mrs S were left (and still are left) without life cover. The onus is therefore on the business to put things right, and to put Mr and Mrs S in the position (or as close to the position) they would have been in, but for the error.

In this instance, it means reinstating the policy, or at least giving Mr and Mrs S the opportunity to reinstate the policy. But if they don't want to reinstate the policy that's a matter for them – they may wish to obtain independent financial advice before deciding what to do.

I appreciate the business maintains that in the event of a valid claim (after the policy was cancelled) it still would've honoured the claim and paid the sum assured.

In the circumstances, and on balance, I don't think Mr and Mrs S should be liable to pay the entirety of the missed premiums – I don't think it's fair. That's why I've suggested a 25% discount should they wish to reinstate the policy, which I think is arguably more manageable. I do so on the basis that it was the business's fault at the outset, but also take into account that Mr and Mrs S ought reasonably to have done more to realise the premiums weren't being paid.

Despite what they say, Mr and Mrs S will be aware that they couldn't have got this cover for free and would've had to pay in any event had the mistake not occurred. Subject to the above comments I have made, in the circumstances I don't think the business is wrong to require them to pay for the missed premiums before reinstating the policy. I also can't blame it for not choosing to waive the premiums.

In the circumstances Mr and Mrs S should have been aware shortly after the policy was cancelled that the payments weren't going out. Judging by what they now need to pay to reinstate the policy, it's evidently not an insignificant amount. Whilst it's possible they didn't notice the premiums not going out, I think they ought reasonably to have done so.

Based on the affordability of the policy, I understand that Mr and Mrs S have said they're not interested in reinstating the policy – in other words, it's too expensive paying the current and missed premiums going forward. Given my decision, it's possible that they may change their minds, as they still have time to pay the lower amount – but it's not clear. It's a matter for them whether or not they want the plan back.

I'm mindful that getting a new policy in this instance isn't a viable option, so it's not something I'm going to consider any further.

In any case, I think the business should pay Mr and Mrs S £500 compensation for the substantial distress and inconvenience caused.

## **Putting things right**

Legal and General Assurance Society Limited should do the following:

1. Give Mr and Mrs S the opportunity to reinstate their policy, without DOH.
  - a. It should also discount the outstanding premiums owed by Mr and Mrs S by 25%.

- b. Mr and Mrs S should be given at least 36 months, if not longer, to pay the missed premiums.
2. The business should also pay Mr and Mrs S £500 compensation for the distress and inconvenience caused.

### **My final decision**

For the reasons set out above, subject to any further submissions, provisionally I'm going to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 22 August 2023.

Dara Islam  
**Ombudsman**