

The complaint

Mr S complains that Zurich Assurance Ltd unfairly cancelled a reviewable term life cover policy connected to his pension plan.

What happened

Mr S held a personal pension plan with Zurich until 2019 when he withdrew the benefits. The pension policy had a related policy that included life cover. Zurich cancelled the life cover policy shortly after Mr S had withdrawn his pension fund.

Mr S says Zurich told him the life cover would continue and complained to Zurich that it hadn't told him the life cover had been cancelled. Zurich apologised that it told Mr S in error that his pension still had some value in 2021, and that this added to Mr S's belief that the life cover was still in place. Zurich confirmed that it couldn't re-instate the policy but offered to pay Mr S £150 to reflect the impact of the poor service it had provided.

Mr S brought his complaint to the Financial Ombudsman Service and one of our Investigators looked into things. The Investigator thought that although Zurich had accepted it provide incorrect information to Mr S and offered to pay him £150 to reflect the upset this would have caused, Zurich should increase this amount to £200. The Investigator thought this reasonably reflected the additional upset Mr S felt when he became aware he'd been without valuable life cover during the Covid-19 pandemic.

Zurich accepted the view of the Investigator. Mr S asked that an Ombudsman decides the complaint.

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.

As Zurich has already accepted it provided incorrect information to Mr S, I only need to look whether the remedy Zurich offered to pay Mr S was a fair and reasonable in the circumstances of this case. I understand that Mr S will be disappointed, but for very much the same reasons as the Investigator I've decided that Zurich should pay Mr S £200 for the upset caused to Mr S when he found out the life cover had been cancelled.

Zurich has provided a copy of a letter it sent Mr S about the life cover linked to his pension in 2017. This explained that the policy would have no cash-in value and that when Mr S reached the age of 65, he would be provided with the option of converting the policy to an alternative plan – and that any new plan would be based on his age, smoker status and the original underwriting decision. The same letter went on to tell Mr S of the remaining value of his pension plan.

In May 2019, after Mr S had asked for details about withdrawing all his pension benefits, Zurich wrote to Mr S and explained, *"Your plan also has life cover This will stop when you take all the money from your plan. If you do intend to take your pension plan in full but*

still need this life cover, please contact us for further information or speak to a financial adviser as there are a number of options open to you.” Taking this information into account I think Zurich made it reasonably clear in 2019 that the life cover would cease when the full pension fund was withdrawn. Neither Mr S nor Zurich have provided any evidence to suggest Mr S contacted Zurich for advice in this regard.

Unfortunately, when Mr S contacted Zurich in 2021 to query why his direct debit for the life cover had been cancelled, Zurich told Mr S that there was still a value in his pension, and also sent Mr S a further pension transfer form to complete. Zurich made a mistake, and it accepts that it compounded the mistake by leading Mr S to believe there was still a value in the pension plan which in turn suggested to Mr S that the life cover was still in place.

Zurich provided incorrect information to Mr S in 2021 but I think Zurich made it reasonably clear to Mr S that when he withdrew his pension benefits in 2019 the life policy would cease. And the letter Zurich sent Mr S in 2017 also made it reasonably clear the life cover policy had no value to it. Zurich then went on to provide incorrect information to Mr S in 2021. I think it would have helped Mr S if Zurich had confirmed the cover had ended in 2019 when the full pension had been withdrawn, but the terms and conditions of the plan did make it this reasonably clear this is what would happen.

Mr S has been able to obtain life cover from another provider, and that’s re-assuring. He would have had to do this anyway when he was 65 even if he hadn’t withdrawn his pension benefits. Mr S says that he was shocked he’d been without life cover for a period of time, especially when he realised that he hadn’t any life cover during the Covid-19 pandemic. So, although Zurich offered to pay Mr S £150, I think it would be fair and reasonable for Zurich to pay Mr S £200. In my opinion, this reflects the upset the incorrect information Zurich provided caused Mr S in the circumstances of this case.

My final decision

I’ve decided to uphold Mr S’ complaint and that Zurich Assurance Ltd should pay Mr S £200.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 7 July 2023.

Paul Lawton
Ombudsman