

The complaint

Ms J says Legal & General Partnership Services Limited (L&G) mis-sold her term assurance (life) and income protection insurance policies.

What happened

In 2015, L&G advised Ms J to take out life insurance and income protection policies. The life insurance policy provided a benefit of £50,000 in the event of a successful claim. And, subject to the terms of the policy being met, if Ms J was too sick to work, the income protection policy provided a benefit of £1,000 per month. Ms J accepted the recommendations and paid a monthly premium for both policies.

Ms J says, after discussing income protection policies with her friends, she contacted L&G in June 2022 to check that the income protection policy provided cover for redundancy. And after she was told that the policy didn't, she raised a complaint to L&G that both policies had been mis-sold. As she was in rented accommodation and didn't have any dependants, she didn't think she needed life insurance with a £50,000 benefit. She says a benefit of £10,000 would've been enough. L&G didn't uphold her complaint. It didn't think the policies had been mis-sold.

Unhappy, Ms J complained to the Financial Ombudsman Service. And having looked into what happened, our investigator didn't uphold her complaint. Ms J disagreed and requested that her complaint be referred to an Ombudsman.

I issued my provisional decision in July 2023 explaining why I was intending to partially uphold Ms J's complaint – an extract of which is set out below.

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L&G advised Ms J to take out both policies, so it was under an obligation to ensure that they were suitable for her needs. It also had to provide her with clear, fair and not misleading information about the main features of both policies.

For the following reasons, I intend to partially uphold Ms J's complaint.

Life insurance

Although the £50,000 benefit could've been beneficial to Ms J if she was diagnosed with a terminal illness as defined by the policy – or to her estate, if she died – I'm not persuaded she had a need for this level of benefit, given her personal circumstances at the time. She was single (having been widowed), living in rented accommodation (so no mortgage) and didn't have any dependants.

Page 6 of the personal information form (entitled 'needs & priorities') completed by L&G's advisor at the time is blank. That includes a section on 'how important is it to protect your family?' which hasn't been completed. And although on page 23 it's reflected that 'no' has been answered to "would your dependants be able to maintain their standard of living in the

vent of your death”, there are no further details.

Ms J says that if she died, she wanted the benefit to cover her repatriation costs to the country she'd previously lived and for her funeral there. That isn't mentioned in the personal information form either, but I'm prepared to accept what she says about that. Given, her personal circumstances at the time, there seems to be little reason why she'd need life insurance. She says the cost of repatriation and a funeral would cost less than £10,000. Having researched this, I accept this isn't an unreasonable estimate.

At the time of sale, L&G has said that the minimum monthly premium for this type of policy would've been £10 – which is less than Ms J paid. It's not been able to confirm the amount of benefit this would've equated to but it's likely to have been more than £20,000 (but less than £50,000).

So, in the circumstances of this particular case, I'm satisfied the benefit amount recommended to Ms J was unsuitable for her needs. From what I've seen, there's no compelling reason that she would've chosen a benefit of £50,000 if she'd been advised that there was a lower benefit available and L&G's advisor had understood her needs, even if she did have the budget for it and it might've been useful.

Ms J was told about the cost and benefit of the life insurance policy, and I accept that she was free not to take it out, ask any further questions and request a lower benefit. However, as this was an advised sale, L&G didn't just have to provide her with clear, fair and not misleading information about the policy, it also had to ensure that it was suitable for her needs. Ms J engaged L&G to provide her with advice. It doesn't look like she was experienced in such matters so it's reasonable to think that she'd accept the recommendations made. Ultimately, it's for L&G to ensure that the recommendation it made was suitable for her needs. For the above reasons, I don't think it was.

And although Ms J or her estate could've benefitted from the policy since it was taken out, that in itself doesn't mean it wasn't mis-sold to her – or that the benefit amount was suitable for her needs at the time it was sold. So, I think Ms J has been paying more for life insurance than she ought to have been, considering her needs at the time.

Income protection insurance

From what I've seen I don't think Ms J was pressured to take out income protection. Nor do I think income protection was unsuitable given her circumstances.

There's nothing to suggest that she had extensive sick pay if she couldn't work because of illness, so the benefit could've been beneficial if she fell ill. If she was without her regular income, a successful claim would've meant that she could receive £1,000 per month – which would've helped with her monthly expenditure.

There was a waiting period of four weeks before she could claim on the income protection policy. Even though there's nothing from the time to suggest that she was entitled to contractual sick pay, I don't think that was unsuitable as she is likely to have been able to claim statutory sick pay which would've provided her with a small income for the first four weeks, until she was able to claim the benefit under the policy. And it's not uncommon for an income protection policy to have a waiting period and policies without one tend to be more expensive.

Looking at the other key features of the policy, including the main exclusions, price and benefit period, I don't think there's anything else which made the recommendation unsuitable. Looking at her disposable income at the time, as reflected in the personal

information document, it also looks like it was affordable to her although I appreciate Ms J's point about some of her expenditure not being on the document such as rent.

Although a letter sent to Ms J around the time sets out some key features of the income protection policy (such as the monthly cost, benefit amount, waiting period and length of the policy) I don't know if she was given clear, fair and not misleading information about all the main terms of the policy before she agreed to buy it. But even if she wasn't, I don't think there's anything which would've put her off taking out the policy if she'd known more about any of the key features. And if she was unhappy with anything detailed in the policy document, she was free to cancel the policy within the cooling off period or subsequently – which she didn't do at the time.

There's nothing to suggest that Ms J was advised to take out unemployment cover (which would usually include compulsory redundancy) at the time. However, the letter she was sent around the time setting out L&G's recommendations reflects that Ms J didn't want to discuss "protecting your income in the event you were unable to work due to unemployment".

This letter was addressed to Ms J and I've seen no compelling reason that it wasn't sent to her or that she didn't receive it. Nor did Ms J query this at the time. Ms J might not have known that unemployment also meant redundancy but in light of Ms J confirming that she didn't want to discuss protecting her income if she became unemployed, I don't think L&G acted unfairly or unreasonably by not exploring this further with her, or assessing her needs for unemployment cover.

So, I don't think the income protection policy was mis-sold to her.

Other issues

When making my findings above in respect of the sale of both policies, I've taken into account Ms J's points that she'd only been in the UK for five years at the point of sale and English isn't her first language.

However, I've seen nothing from the time to show she didn't understand the advice or information she'd received, and she was free to have clarified anything. I note that she was sent documents to consider by way of email dated 26 June 2015, and it looks like that was before the policies started, so she had time to read anything and ask any questions if she was unsure.

Ms J is also unhappy with some of the things said by L&G when responding to her complaint, including comments that there's no guarantee of state benefits being available for a significant period of time. She found L&G's approach antagonistic with racist undertones.

I'm not persuaded that Ms J has been singled out because of her race or nationality as result of the way L&G addressed her complaints – and I don't think she's been treated unfairly. There is a range of criteria for different welfare benefits and eligibility requirements vary. For example, if Ms J was unable to work due to sickness whilst still in work, she might be entitled to statutory sick pay but that's limited to a maximum of 28 weeks. And eligibility criteria for benefits change from time to time. I don't think it's unreasonable for L&G to raise this when explaining their recommendations, in response to her concerns about the sale of the policies. Nor do I think the overall tone of the correspondence was unprofessional.

Ms J also requested that L&G suspend her premiums whilst investigating her mis-sale complaint. But L&G wasn't the underwriter of the policies, and I don't think it's unreasonably concluded that it didn't have authority to do that. However, in its letter dated 18 July L&G accepted that it should've made Ms J aware of that sooner and offered to refund the

premiums she paid for the policies on 1 July 2023, which Ms J accepted. I think that was fair and reasonable.

Putting things right

I understand that both policies were cancelled in August 2022 and Ms J was refunded premiums paid for July 2022. On that basis, I intend to direct L&G to:

- reimburse Ms J the difference in premiums for the life insurance policy she'd paid for each month and the minimum premium of £10 per month she would've paid ('the difference in premium') from when the policy started in 2015 to June 2022 inclusive.
- pay Ms J simple interest at a rate of 8% per annum on the difference in premium from the date on which each monthly premium was paid to the date on which settlement is made.

If L&G considers it's required by HM Revenue & Customs to take off income tax from any interest paid, it should tell Ms J how much it's taken off. It should also give her a certificate showing this if she asks for one. That way Ms J can reclaim the tax from HM Revenue & Customs, if appropriate.

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I invited both parties to provide any information in response to my provisional decision. L&G replied saying it had nothing further to add. Ms J replied disagreeing with my provisional decision. In summary Ms J said:

- She was happy that I intended to find that she was sold more cover than she needed for life insurance. However, she thought I should direct L&G to pay 80% of the premiums paid for life insurance as she only needed a benefit of £10,000 as opposed to £50,000. Alternatively, I should direct L&G to reimburse all premiums paid for life insurance because she should've been advised her that it couldn't offer her an appropriate product and referred her elsewhere.
- Income protection insurance was mis-sold. She was poorly advised, and L&G's representative didn't attempt to properly understand her needs. That's evidenced by the poor way L&G's representative completed questionnaires.
- She was financially naïve, her English was poor and she'd assumed that income protection included losing her job (if she was made redundant). She was healthy and had no concerns about being unable to work due to illness.
- She's not sure she received L&G's letter reflecting that she didn't want to discuss protecting her income if she became unemployed. She would've raised it if she had, as that was her primary concern.

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 thank Ms J for her further points, but they don't change my thoughts on this case. For the reasons set out below and in my provisional decision (an extract of which is set out above and forms part of my final decision), I partially uphold her complaint.

Life insurance

L&G says – and I accept – that the minimum monthly premium for life insurance would've been £10 and this would've provided a benefit of more than the £10,000 Ms J says she required. I don't think it would be fair and reasonable for L&G to reimburse Ms J 80% of the premium paid on the basis that the policy offered five times more than the benefit she says needed. I have to consider what would've happened on the balance of probabilities if she'd received the advice she ought to have.

L&G couldn't have offered a life insurance policy costing less than £10 per month. And although Ms J says that she might have been able to get alternative cover elsewhere with a benefit of £10,000 - and this would've been cheaper – I've seen no evidence of that from the time. On the balance of probabilities, if she'd been recommended life insurance for £10 per month with a higher benefit of between £20,000 and £50,000, I'm not persuaded that she would've declined it in search of less expensive cover elsewhere.

Income protection insurance

I'd considered the points Ms J has raised in relation to income protection when making my provisional decision as they were available to me then. It's possible that she didn't receive or read the letter setting L&G's recommendations, reflecting that Ms J didn't want to discuss "protecting your income in the event you were unable to work due to unemployment".

This letter was addressed to Ms J and, as I said in my provisional decision, I've seen no compelling reason that it wasn't sent to her or that she didn't receive it. And although Ms J may have been healthy at the time, and says that her statutory rights as a tenant would've protected her from being swiftly evicted if she couldn't work and afford to pay her rent at the time, I don't think the recommendation made was unsuitable. It could've paid out a set monthly benefit if she was too ill to work. Nor do I think if she'd been given more information about the income protection policy, she would've chosen not to have taken it. It could've been useful for her.

Putting things right

I understand that both policies were cancelled in August 2022 and Ms J was refunded premiums paid for July 2022. On that basis, I direct L&G to:

- reimburse Ms J the difference in premium for the life insurance policy from when the policy started in 2015 to June 2022 inclusive.
- pay Ms J simple interest at a rate of 8% per annum on the difference in premium for life insurance from the date on which each monthly premium was paid to the date on which settlement is made.

If L&G considers it's required by HM Revenue & Customs to take off income tax from any interest paid, it should tell Ms J how much it's taken off. It should also give her a certificate showing this if she asks for one. That way Ms J can reclaim the tax from HM Revenue & Customs, if appropriate.

My final decision

I partially uphold Ms J's complaint and direct Legal & General Partnership Services Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 14 September 2023.

David Curtis-Johnson
Ombudsman