

The complaint

Mr R has complained that 1.618 Advisory Services UK Limited ("1.618") mis-sold him a whole of life, level term policy.

What happened

Mr R applied for a whole of life policy, initially with £100,000 of cover. He then wished to increase cover to £150,000. At this stage the insurer requested a medical assessment which showed that Mr R's height and weight had been incorrectly recorded. This in turn meant his BMI was 38 rather than 32. The insurer advised 1.618 that Mr R could either increase his premiums so he maintained £100,000 of cover or reduce the amount of cover to £63,500 and keep his premiums the same.

1.618 instructed the insurer to reduce the cover so as to maintain the same premium, but not tell Mr R this or send any policy documents to him. Mr R later found out that he only had £63,500 life cover and took out another policy with a different insurer for £40,000.

Our investigator explained that he felt Mr R hadn't been treated fairly. He recommended that 1.618 pay him for the ongoing loss he would have by paying greater premiums - £9,758, and £500 in compensation. 1.618 didn't agree. It said that Mr R portrayed a picture of severely improved health status and that there was never any intention for the insurer to offer him £100,000 of cover. It said that reasonable cover based on Mr R's true health at the policy's inception would have been in the region of £63,500. It said that this sum was communicated to Mr R annually.

As no agreement was reached I issued a provisional decision on 4 August 2023. I said as follows:

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 I broadly agree with the conclusions reached by the investigator for these reasons:

- *Mr R believed he was paying for £100,000 worth of cover. In fact, the insurer had explained to 1.618 that it wasn't prepared to offer this amount of cover based on Mr R's BMI. 1.618 took the unilateral decision to keep the premium at the same level and reduce the sum insured. It didn't give Mr R the opportunity to choose whether he wished to pay more for £100,000 of cover. Fortunately, it hasn't been necessary to claim, but nevertheless I find Mr R was prejudiced by this omission on the part of 1.618. I'm satisfied that had he been advised that he could reduce cover or increase premiums, he would either have chosen to increase his premiums in order to have cover of £100,000 or gone elsewhere to get this amount of whole of life cover. I reach this conclusion because when he discovered the error, he took out another policy to make up the difference.*

- *1.618 says there was never any intention to give Mr R £100,000 in cover. I agree that the intention wasn't to give him that cover for the premium originally offered as the medical*

information was incorrect. However once the correct details had been entered the insurer was prepared to offer that sum for the greater premium.

- *In February 2021 Mr R took out a second policy for £40,000 – which meant in total he had £103,500 worth of cover. He now pays two monthly amounts and for more than he would be paying had he been offered and taken the cover in 2016. In 2016 £100,000 of cover would have cost £210 a month. In 2021 he was paying £41 per month for the extra £40,000 of cover. However he did have more cover than he would have had if 1.618 hadn't made the error it did. His 2021 policy is index linked, but for the purposes of this decision I'm using the premium as of February 2021.*

- *A whole of life policy is in place until death. Our investigator speculated that cover may remain in place until Mr R is 85 years old. He recognised that Mr R may live less or longer but advised we don't have actuarial facilities to make an actuarial calculation. This is correct. I think in the circumstances it is fair and reasonable to use the age of 85, looking at data from the Office for National Statistics. I agree therefore that that Mr R should be compensated for the approximate extra amount he will pay until age 85. If 1.618 wishes to make further representations in this regard (or any other) it may do so in response to this provisional decision.*

- *Accordingly I provisionally find that it would be fair to compensate Mr R by way of lump sum. I have taken into account that Mr R had more cover from 2021 than he would have had had no error been made. So the calculation I have used is £37.50 (assumed extra amount from February 2021 to purchase £36,500, as £40,000 was £41) x 238 (months until Mr R reaches 85 years) = £8925.*

- *I find that Mr R has been caused worry and inconvenience because of 1.618's error and has had to go to some trouble to attempt to correct it. I find compensation is due for this and I'm satisfied that £500 is fair.*

I invited both parties to respond. Mr R made the point that he wasn't able to purchase the exact amount to bring his cover to £100,000. But he agreed with my provisional findings. 1.618 didn't respond.

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.

But as Mr R has accepted and 1.618 has not responded to my provisional decision I see no reason to change my findings, which I adopt here.

My final decision

For the reasons set out above my final decision is that I uphold this complaint. I require 1.618 Advisory Services UK Limited to pay Mr R two sums:

1. £8925
2. £500 in compensation

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 18 September 2023.

Lindsey Woloski
Ombudsman