

The complaint

Z has complained about an increased premium on a life insurance policy brokered by Essential Finance Group Management Limited ('Essential') for the benefit of its directors – Mr and Mrs L – and the poor service Z received. Z wants to be compensated for this.

Z is represented by Mr L, and I have sometimes referred to 'Mr L' in my decision where appropriate. However, it is important to note that the complaint is not brought by Mr L or Mrs L as individuals (i.e. consumers) but by Z – a micro-enterprise for the purposes of our jurisdiction.

What happened

In October 2021 Essential brokered a life insurance policy for the benefit of Mr and Mrs L. For Mr L the policy benefit was £500,000 over a 32-year term and the monthly premium quoted was £24.43.

An error was made on the application with Mr L's date of birth – two numbers for Mr L's year of birth were transposed. As a result, the policy insurer increased the monthly premiums to £55.10 and not being happy with this, Z raised a complaint with Essential in January 2022. In its response to the complaint on 28 February 2022, Essential accepted the incorrect date of birth used on the policy application was its error and apologised. And it offered £100 as it hadn't responded to Z's complaint in a timely manner.

To resolve the issue, it offered Z three options;

- Keep the current policy and for Z to continue paying the premium of £55.10. The premium couldn't be changed.
- Cancel the policy and refund the premiums.
- Set up a new policy, commission free, with a view to reducing the premiums, but that couldn't be guaranteed.

Z was unhappy with the outcome and brought the complaint to this service. Our investigator who considered the complaint didn't think Essential needed to do anything more. He said unintentional mistakes do happen but Essential should have done more to prevent the mistake and provide Z with a better service in resolving it. He thought the £100 offered should be increased to £275 to recognise the distress and inconvenience caused.

Essential had offered to refund the cost of the policy and provide a new one on a commission free basis. And as the insurer had offered to continue the policy with the initial

premium, but with a reduced proportional benefit, the investigator said Z would be in the position it would have been in if the error hadn't been made.

Essential didn't respond to the investigator.

Z didn't agree with the investigator. Among other points it said:

- Z had repeatedly contacted Essential about the difference in premium between the two directors prior to accepting the quote.
- Upon discovery of the error Z had been given assurances there would be no change to the premium.
- Essential had failed to notify Z of any proposed change in the premium and failed to carry out a new comparison in the market to ensure the new policy was the most competitive available.
- Essential wouldn't discuss Z's concerns after it had taken out a new policy against Z's wishes and the options given to put the matter right weren't provided until several months later.

Z's comments didn't change the investigator's opinion. As the complaint remains unresolved, it has been passed to me for a decision.

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.

After doing so, I've reached the same conclusion as the investigator and broadly for the same reasons. I'll explain why.

When deciding what's fair and reasonable, I have focused on what I consider to be the central issues that are relevant to the outcome of the complaint, rather than commenting on every issue in turn. This isn't intended as a discourtesy, rather it reflects the informal nature of our service and my remit.

I know Z considers I ought to take into account Essential's actions in agreeing to a significant rise in premium without Z's express instructions. And Z also said that Essential should be accountable for this by paying the additional amount of premium in order for it to have the original policy reinstated. Z doesn't agree that this would be a fine or a punishment, but just holding Essential to account for its error based on what Z expected. I've considered whether this would be a fair outcome in all the circumstances.

It's accepted by the parties that Essential made an error in inputting Mr L's date of birth. Z isn't happy that this wasn't made clearer at an earlier date. It says Essential had sufficient opportunity to admit it had made the error, to put the matter right, and provide Z with accurate information so Z could make an informed decision about taking the policy. Z says it

was deceived into believing the error was with the insurer and then in turn, the insurer was deceived that Z had been told of the increase in premiums and had agreed to the new quote. This meant that a new policy was taken without Z's agreement. Essential had reassured Z that as the error was made by the insurer then the original premium would remain the same.

I can see from the messages between Z and Essential on 26 October 2021 that Z queried the price difference between the premiums quoted for the two directors, and it's clear from the adviser's response on the same day that the incorrect date of birth hadn't been spotted. I accept this was a missed opportunity by Essential to put things right sooner.

I do not consider that this error was made deliberately but I have to take into account the impact of that error on Z and Essential's actions after to mitigate the impact of its error to decide what would be fair compensation and/or a just and appropriate direction to put things right.

In order to assess the impact on Z I have reviewed the correspondence and file notes subsequent to Essential becoming aware of the error with the date of birth.

Z discovered Mr L's date of birth had been incorrectly input when it was able to access the insurer's online portal on 3 November 2021. As a result of that I can see from the phone notes of 5 November 2021 that the adviser was aware the premium would increase to around £50.00.

The actual amount of £55.10 was confirmed with the adviser on 12 November 2021 who in turn asked the insurer whether Z was aware of the increase and the insurer advised that a letter would be sent.

I understand the adviser called the insurer again on 19 November 2021 about whether the quote had been accepted by Z, but its notes weren't clear, and it said it would refer and let him know.

The adviser was emailed by the insurer on 22 November 2021 in response but that didn't refer to whether Z was aware of the new quote/policy. However, in a further call with the insurer on 23 November 2021, in response to a query about whether Z had accepted the change, the adviser said, 'Yes this is what I have been told'. So, clearly there was miscommunication here as we know that Z wasn't aware.

I see the insurer then wrote direct to Z on 23 November 2021 to advise of the new premium and Z contacted Essential about this the next day. Essential's response to Z confirmed it was a reflection of the new price because of the corrected date of birth and that when the adviser had contacted the insurer, he was advised that Z was 'totally aware of the new price and were happy with it...'.

I think the various call and contact notes make clear there was some ambiguity in Essential's understanding of what was going on with the insurer and how the matter was being corrected. Z says these should not be considered as mistakes but wilful deceptions which should not be ignored and compensation for the poor customer service should be provided. I agree that it does look like Essential's adviser was aware of the increase in the premiums

before Z, but I haven't seen anything to suggest there was anything intentionally deceptive in this and it not informing Z sooner.

Clearly Z wasn't aware that a new policy would be needed, which would incur higher premiums, and which meant Mr L would have the inconvenience of a medical. Z has also said it was misinformed that the original date of birth error was with the insurer rather than Essential. The outcome of this is that Z wasn't told sooner about where the error originated from, but I don't think that point has any impact on what subsequently occurred. I say this because I don't think the date of birth error would have been discovered any sooner – whoever error it was – and subsequent to that point Essential has already accepted that Z received a sub-standard service.

Regarding the remedy, Z has referred to this service's approach to putting things right where we find that something has gone wrong. Our approach is that the customer should be put back in the position they would have been in if the error hadn't occurred. I'm satisfied that the 'error' in this case was the inaccurate inputting of Mr L's date of birth which resulted in an incorrect policy/premium.

That error gave rise to Z being quoted a monthly premium of £24.43 which Z accepted in good faith and went so far as to question before agreeing to it. This was increased to £55.10 when the correct date of birth was used. Z wants for the original policy to be reinstated but at the initial premium quoted. I don't agree that this is a fair and reasonable outcome.

If I was to say that the original terms should be reinstated, that wouldn't put Z back in the position it would have been in if the error hadn't occurred. It would put Z in a better position. The terms of the initial policy only came about as a result of the error. The monthly premium of £24.43 was not an accurate reflection of the cost of the risk taken by the insurer in providing the life assurance for Mr L as he was older than it was originally advised. Inevitably the older the beneficiary under the policy, the more risk to the insurer and the premiums need to reflect that. I don't think it would be fair or reasonable for Z to be in a more financially advantageous position than it would otherwise have been in because of an administrative error.

Z has referred to other decisions made by this service that indicate on certain occasions customers should be 'entitled to be in a more favourable position than had the error not been made, in particular when the insurer has acted unfairly and contrary to legislation. It believes that this is one such occasion.

In the particular circumstances of this complaint, I don't agree that would be a fair outcome. This is not a case where Essential has acted in such a way that Z should be put in a more favourable position – this situation arose from an inputting error and not a deliberate deception by Essential in my view based on the evidence I have considered. Neither do I consider any of legislation which Z has referred to changes the position.

The choices that Z has been offered would allow Z to either continue with the policy as it is, walk away and have the premiums repaid and/or have a new policy set up free of commission with the intention of reducing the premiums. I note that the insurer has also

offered to proportionately reduce the amount of the cover to £206,000 and for Z to continue paying the original quoted monthly premium of £24.43.

I'm satisfied the options available to Z are fair and reasonable and would put Z in the position it would have been in if the inputting error hadn't occurred – i.e. Z would have been paying a fair premium which would accurately have reflected Mr L's correct age.

Z says that it was misinformed by Essential. On 3 November 2021 when it was able to access the insurer's online portal and it discovered Mr L's date of birth had been incorrectly input. Z then spoke with its adviser at Essential who confirmed that the correct information had been given to the insurer. Z believed this to be true at the time as it had correctly provided all of Mr L's details to Essential.

Z says that Essential knew it wouldn't accept an increase in the premium, so it chose to withhold the premium increase from Z and gave authority for a new policy to be set up without its consent. The second policy was taken out with the same insurer and without any comparison with the wider market. Mr L had undergone a medical examination further to Z accepting the initial quote and Z wasn't aware the examination was a prerequisite of the insurer before it would accept Mr L on the second policy, and not the first. I see from a letter sent to Z on 4 November 2021 by the insurer that this was because at the time the first policy was still in place and with the addition of the second policy this would take the amount of cover to over £500,000 and so its latter/second application – about which Z wasn't aware – would need to be re-assessed post the medical. This was no doubt an unnecessary inconvenience to Z.

It's not clear from the documents I have seen whether the second policy was set up after a whole of market review, and that wasn't the service Z expected. Z used Essential as it offered a whole of market service. However, I see that one of the offers Essential has made to put the matter right is to set up a new policy, commission free, with a view to reducing the premiums (but that couldn't be guaranteed). So, if it is the case that a whole of market review didn't take place, that would be put right if Z chose to accept Essential's offer of setting up a new policy.

As I have said above, it's clear that the adviser knew that the premiums were going to increase as a result of the corrected date of birth and it wasn't until Z was written to by the insurer that it was made clear. Z has said this raises questions about the honesty and integrity of the adviser and Essential. I accept that Z wasn't given all of the information it would have liked or as quickly as it would have liked but there isn't sufficient evidence for me to make a finding that Essential tried deliberately or maliciously to hide the facts from Z.

I have gone on to consider whether the misinformation Z was given about the cost of the policy should be binding as Z relied upon that information in making its decision to accept the policy.

I fully appreciate that Z acted in good faith. It approached Essential for life cover, expected a whole of market quote and for Essential to act appropriately when Z accepted that quote. Clearly things went wrong here. And despite Z seeking reassurance about the quote, an error was still made, and the quote proved to be incorrect because of the error with the

inputting of Mr L's date of birth. As a remedy Z is asking that the original policy be reinstated at the original premium quoted and for Essential to pay for the additional premium that would be charged.

But I don't think this would be the right outcome. I don't think the outcome Z wants would be a fair a reasonable outcome after taking into account all of the circumstances of the complaint. Z has suffered a loss of expectation in that the quote it accepted and the cover it expected to receive based on that quote was never realistic. And while this is clearly disappointing and inconvenient for Z I consider the fair and reasonable outcome should be based on the position Z would be in if the error had not occurred, and that a compensation award for the inconvenience is sufficient to cover that loss of expectation caused by Essential's poor service.

Z has also referred to the Insurance Conduct of Business Sourcebook ('ICOBS') and that 'A firm must act honestly, fairly and professionally in accordance with the best interests of its customers'. It said Essential failed in this as it didn't provide Z with the necessary information for it to make an informed decision and it didn't act in the best interests of its customer when it withheld information and refused to engage when the increase in the premium was questioned.

Essential doesn't agree. It does accept there was an administrative error but says this was a genuine error. In the absence of evidence to the contrary, I'm satisfied the overall cause of this complaint was as a result of the initial error. The remaining issue is how Z was dealt with once the error was discovered and Essential has already recognised the subsequent handling of the account was below the standard it would expect.

Z has said that when it became aware of the increase in the premiums and new policy it asked about Essential's complaints procedure, but that Essential's agent refused to provide them. From the evidence I have I can see Z asked for Essential's complaint policy information on 24 November 2021 and was advised on the same day the issue had been passed to Essential's customer care team who would be in contact. But I understand there was a delay in the complaint being dealt with and Essential has apologised for this.

I know Z feels strongly that Essential's representative effectively tried to cover up the error made and to pass the responsibility of that error onto the insurance provider.

Essential has offered to put the matter right with the options it's given to Z, and I think those are a fair and reasonable way to put Z in the position it would have been in but for the error. I do agree the service Z received generally and subsequent to the error being discovered was poor, confusing and inaccurate, so I think that should be recognised. In its response to Z's complaint Essential offered £100 but I think that should be increased to £275 as it's a fairer reflection of the inconvenience that has been caused.

Taking all of the above into account I won't be asking Essential to cover the difference between the actual cost of reinstating the original policy and the initially quoted premium. I think what it has offered in terms of options to put the matter right is fair and reasonable in the overall circumstances of the complaint except to the extent I consider a higher amount of compensation should be paid.

These options would put Z in the position it would have been in if the error hadn't occurred and the payment of £275 would reflect the error made and the poor service received.

It is now for Z to decide whether to accept any of the options that it has been offered by Essential.

My final decision

My final decision is that I won't be asking Essential Finance Group Management Limited to cover the costs of reinstating the original policy based on the difference between the amount initially quoted and the actual premium. But for the inconvenience caused to Z I have upheld the complaint to the extent I increase the compensation award to be paid by Essential to £275.

Under the rules of the Financial Ombudsman Service, I'm required to ask Z to accept or reject my decision before 22 April 2024.

Catherine Langley
Ombudsman