

## **The complaint**

Mr C complains about a cancellation fee Co-op Funeral Plans Limited has charged him. He says he cancelled his plan because the full costs weren't made clear to him at the time of sale. And he says he wouldn't have taken out the plan, had he understood the cost of paying by instalments.

## **What happened**

In brief summary, in 2018, Mr C took out a Co-op funeral plan costing £3899. He chose to pay by instalments. The monthly cost was approximately £46 and Mr C was due to pay over nine years, meaning he'd pay a total of just over £5007.

In 2023, Mr C received a statement from Co-op. This statement caused him to question the amount he was paying for his funeral plan – in particular, the additional cost of paying in instalments.

Mr C told Co-op he wanted to cancel his plan. Co-op explained its standard cancellation fee of £250 would be deducted from the refund. Mr C complained about this, but Co-op maintained its stance.

Mr C remained unhappy, so he asked the Financial Ombudsman Service to look into things. Our investigator upheld his complaint. She was satisfied Mr C wasn't told what the instalment costs would be and that Mr C wouldn't have bought the plan if those costs had been made clear.

Co-op didn't accept our investigator's view and asked for an ombudsman to review 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.

Having done so, I'm upholding this complaint. I'll explain my reasons.

This plan was sold before Co-op became subject to compulsory regulation by the Financial Conduct Authority (FCA) in July 2022. The FCA now requires funeral plan providers to send statements to their customers every three years. For plans taken out before July 2022, the FCA set a deadline of 31 August 2023, by which funeral plan providers must have provided the first statement. It was the receipt of this statement that prompted Mr C's complaint.

Prior to FCA regulation, Co-op was a member of the predecessor voluntary regulation scheme, overseen by the Funeral Planning Authority (FPA). So I've looked at the FPA's 2017 Code of Practice, to see how funeral plan providers were expected to operate at the time of sale.

Section 2.2 of the code states that plan providers must:

*'provide their employees, agents and representatives with training and written guidance on sales practices which ensures that potential customers are given sufficient information to make informed decisions about buying a funeral plan.'*

And section 3 says:

*'plan providers must provide potential customers with written details of any funeral plan being offered, which clearly sets out:*

- the type and cost of funerals and other services which can be provided under the funeral plan*
- any administration charges which the customer will need to pay.'*

So overall, I'm satisfied the code placed a responsibility on Co-op to provide clear information about costs to its customers to enable them to make informed choices.

Mr C says the plan was bought online. He's been clear he wouldn't have purchased if he'd understood the true cost of his plan. I've not seen any information from Co-op about the sales process, specifically, what Mr C would've seen when he was buying the plan and what costs information was available to him before he made his decision.

I've looked at Co-op terms and conditions. Under a section called *'How do I pay for my plan?'*, it says:

*'You can pay for your plan in one of three ways:*

- 1. In full*
- 2. In instalments over 6 or 12 months*
- 3. In instalments over 2 – 25 years*

*'If paying by instalments over 2-25 years, you'll pay instalment charges. You'll be told the total amount you'll pay when you buy the plan.'*

This information is on page 4 of a 16 page document. On page 5 there's additional information about paying by instalments over 2 - 25 years. It says:

*'You'll pay towards your chosen plan over a period of 2 to 25 years. The costs of your plan will be split over the number of years you choose. You'll pay the instalments (including instalment charges) monthly by direct debit. You'll find examples of instalments (including charges) in the 'Paying for your funeral plan' document. The cost of these will depend on your individual circumstances. You can get a personalised quote online, from one of our funeral homes or by phone. Your quote will tell you what your instalments will be and the total amount payable over the term. You can work out your instalment charges by taking the price of the plan from the total amount you'll pay. We'll confirm the instalments in writing when you buy your plan.'*

To provide clear information to enable a customer to make an informed choice, we'd usually expect important information – such as that relating to charges – to be prominently displayed

and highlighted to the customer. And we generally wouldn't expect a customer to have to do calculations to work out the detail of what they were paying. However, I'm mindful the above term suggests Mr C likely received a personalised quotation before he purchased online. But it seems Mr C would, at best, have been told the *overall* cost of the plan, but not the *additional* cost of paying by instalments.

I've also seen a welcome letter from Co-op, sent to Mr C after he'd bought his plan. This letter does show the payment term and monthly cost. But again, it doesn't give the overall cost to Mr C or the separate cost of instalment charges. So having looked at all the evidence, on balance, I think Co-op didn't do enough to provide Mr C with clear information about all the costs associated with his funeral plan to enable him to make an informed choice.

Mr C's specific complaint is that he shouldn't be charged a cancellation fee, because he'd never have bought the plan had he been made aware he'd be charged over £1100 for paying by instalments. I accept this as the only evidence of what Mr C might've done with clearer information. So I'm going to direct Co-op to put Mr C back in the position he would've been in, had the sales information been clear on costs. I think this is a fair outcome in the circumstances of this specific complaint.

### **Putting things right**

Mr C's plan has already been cancelled and a refund made, less the £250 cancellation fee. So to put things right, Co-op should:

- Refund Mr C the £250 it has retained as a cancellation fee on his plan. This will mean that the total payments made have been refunded to Mr C.
- In addition, in line with our usual approach, set out on our website, Co-op should refund Mr C 8% per annum simple interest on each payment he made towards his plan, from the date each payment was made until the date of settlement.
- If Co-op considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr C how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so that he can reclaim the tax from HM Revenue & Customs if appropriate.

### **My final decision**

For the reasons given, I uphold this complaint and require Co-op Funeral Plans Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 12 December 2023.

Jo Chilvers

**Ombudsman**