

## **The complaint**

Mr R and Ms R's complaint is about a whole of life assurance policy they hold with ReAssure Life Limited trading as ReAssure. They say unbeknown to them, the direct debit through which the annual premium was taken was cancelled and they were told the policy had ended and no longer provided cover. While the policy was re-instated six-months later, they feel it is unfair they've had to pay the full year's premium when they weren't covered for the first half of the year.

## **What happened**

While I've read and considered everything, the following is a summary of the key events and background leading up to this complaint.

Mr R and Ms R hold a whole of life assurance policy with ReAssure. The annual premium of £4,000 is payable by direct debit each year on 2 December.

On 2 December 2022, ReAssure's attempt to collect the premium by direct debit failed. And on 23 December 2022, ReAssure wrote to Mr R to notify him of this. On 31 December 2022, it wrote to both Mr R and Ms R informing them it still hadn't received payment. It said the policy had ended and it told them what they needed to do to restart payments.

Mr R and Ms R say they didn't notice the premium hadn't been collected – the first time they knew there was a problem was on receipt of ReAssure's letter of 31 December 2022, which they say didn't arrive until 9 January 2023.

The same day Mr R phoned ReAssure. He says he was told the payment would be collected after confirming his bank details and that the policy would be re-instated. On 11 January 2023, ReAssure sent a letter to Mr R and Ms R asking for a new direct debit mandate to be completed, but it said the outstanding premium needed to be paid manually. It also said the direct debit instruction was cancelled by the payer on 26 April 2022. Mr R and Ms R made the required payment.

On 31 January 2023, ReAssure wrote to Mr R and Ms R confirming receipt of the premium. But it said, because the policy had gone through the arrears process, it required a new health declaration, which it enclosed. On 28 February 2023, ReAssure sent a chaser for the outstanding declaration and said that this needed to be completed by 20 March 2023 otherwise the premium would be refunded.

Mr R and Ms R say they were travelling during February 2023, and didn't pick up ReAssure's letters until the beginning of March 2023.

At this point Mr R and Ms R raised a complaint because they felt it was ReAssure's error the policy hadn't been set up. They said, while a mistake was made in cancelling the direct debit during an address change with their bank, ReAssure didn't give them a reasonable opportunity to sort things out before putting things through the arrears process and asking for new health declarations. They nevertheless completed the required declarations and asked for the policy to be set up on the same premium and terms.

ReAssure says the complaint was upheld by its informal complaints team and it paid Mr R and Ms R £150 for the trouble and upset it had caused.

Following Mr R and Ms R satisfying ReAssure's requirements for reinstating the policy, and after a series of email communication between the parties during April and May 2023 – including Mr R and Ms R continuing to raise concerns about how ReAssure had handled things and that it should've told them the direct debit had been cancelled when their bank wrote to tell it instead of waiting to correct things after the event – on 7 June 2023, the policy was re-instated and the premium was applied.

Mr R and Ms R complained to ReAssure at this point because they didn't think it was fair that they'd had to pay the full premium when cover wasn't in place for the first six months of the year. They said the next premium shouldn't be collected in December 2023, but should be a year from when the policy was re-instated.

In August 2023, Mr R and Ms R brought their complaint to us. They said they were seeking a refund of £2,000 or to defer the subsequent years' premiums by about six months.

On 4 September 2023, ReAssure provided its response to the complaint. It said it needed to receive the premiums every year for the policy to continue as agreed at the outset. It said re-instating the policy meant cover was provided for the period it didn't receive the premium. So, the premium it applied in July 2023 covered the period December 2022 to December 2023 – the December 2023 premium would cover them for the following year.

In submitting its business file, ReAssure said that, while it maintained its position as set out in its final response letter of 4 September 2023, it said that it wasn't satisfied with the customer service Mr R and Ms R had experienced and the lack of response to their queries. So, it offered them an apology and a further £250.

One of our Investigators considered this and they thought ReAssure's offer was a fair way to settle the matter. They firstly explained what we would've looked at, if (hypothetically) ReAssure had contested a claim made between December 2022 and July 2023, in an attempt to address Mr R and Ms R's concerns about not being covered for this period. They went on to explain that, while they appreciated Mr R and Ms R's view about paying the premium, they thought ReAssure was right to take payment for the whole annual premium to maintain the sum assured under the contract and to ensure continuity of cover. But they said it was clear, as ReAssure had itself acknowledged, that its customer service fell short of what Mr R and Ms R should've expected. They also thought Mr R and Ms R would've been distressed by the idea of not having the life cover given the significant sum assured. They said overall, total compensation of £400 (£150 paid plus the new offer of £250) was in line with what they would've awarded had ReAssure not done so.

Mr R and Ms R said that while the £250 wasn't unreasonable, the issue of taking money for a policy it said at the time wasn't in place hadn't been properly addressed. They said they understood the point about continuous premiums and would now accept splitting the difference with ReAssure, so giving them half of the disputed premium – i.e. £1,000 plus the £250 offered.

The Investigator didn't think Mr R and Ms R's proposal was a fair way to settle things for broadly the reasons they'd already explained. But they said, if Mr R and Ms R wanted to pay less, they could ask ReAssure what sum assured a reduced premium would support.

Mr R and Ms R maintained that their offer was a reasonable compromise – whether it's

called a refund or compensation for the unnecessary worry caused. They also clarified their position: they didn't think it was reasonable for ReAssure to now say the policy was in force when they wrote saying the opposite in their letter of 31 December 2022. They said they thought it was clear that re-instatement of the policy meant the contract was suspended and then reinstated – not a new policy. They also enclosed a letter from ReAssure of November 2022 inviting them to increase the cover, which they said reassured them that everything was in place. And they said their bank had told them it had written to ReAssure in April 2022 when the direct debit was cancelled.

Because the Investigator wasn't persuaded to change their opinion, the complaint was referred for a final 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.

Having done so, I've decided that ReAssure's offer of an additional £250 for the distress and inconvenience caused is, all the circumstances, a fair way to settle this complaint. I'll explain why.

Firstly, and while I understand Mr R and Ms R think differently, I'm satisfied ReAssure has not acted unfairly or unreasonably by asking for and applying the full year's premium to re-instate their policy.

It's not disputed that Mr R and Ms R wanted their policy to continue – for whatever reason, and unbeknown to them, the direct debt used to collect the annual premium was cancelled by their bank. So, the 'cancellation' of their policy (to use ReAssure's phrase) wasn't Mr R and Ms R's intention. This is why they embarked on the policy re-instatement process. And re-instatement means just that – to restore, to return or to re-establish. This was not a process to create a new policy. The whole purpose of re-instatement is to put things back as they were – i.e. continuation of cover in line with the original agreed terms and conditions by paying the required outstanding premium. And while Mr R and Ms R ended up having to make new health declarations and satisfy ReAssure's re-instatement administrative processes, which weren't completed until June 2023, this doesn't alter the fact that it was a re-instatement of the original policy under the original terms and conditions.

So, it follows that the agreed premium for the sum assured provided by the policy still applies. And this is why ReAssure required its payment. Afterall, if things had happened as they should have, Mr R and Ms R would've paid their annual premium as expected in December 2022 to ensure continuation of the policy's cover.

Mr R and Ms R's objection to paying the full year's premium is because they don't believe the policy provided cover for the period the premium was unpaid – they say it is the retrospective premium which they object to. They say the policy did clearly end and have pointed to ReAssure's letter of 31 December 2022, which said their cover had stopped.

They say they don't think a claim would've been paid had anything happened during this period and have argued that, had their executors found this letter, they would most likely have not made a claim, but if they had, they wouldn't have likely challenged ReAssure if they'd declined it.

ReAssure says Mr R and Ms R were covered for the period December 2022 to July 2023

because the outstanding premium was ultimately paid and the policy was re-instated. And I've not seen anything to contradict this. In my view, this is what re-instating the policy means – continuation of cover.

I can see ReAssure's letter of 31 December 2022 said Mr R and Ms R's policy had ended and no longer provided cover – as Mr R and Ms R have said. But I think this was a standard letter. And I think it was worded this way to generate attention and warn Mr R and Ms R of the consequences of non-payment of the premium. While Mr R and Ms R have focused on this part of the letter, it also clearly set out how payments could be restarted, which is what Mr R and Ms R ultimately did to retain cover. I'm mindful too that at this stage, ReAssure didn't reasonably know that the cancellation of the direct debit wasn't an intentional act by Mr R and Ms R – as far as it knew at this stage, Mr R and Ms R might've decided they no longer wanted cover. So, I don't think it did anything wrong sending this letter. And I don't think the way the letter was worded changes things. I'm satisfied by embarking on the re-instatement process and paying the required premium, Mr R and Ms R ensured continuation of cover – the policy did not end and then re-start as they've argued. So, my decision on this point hasn't changed.

As for the point Mr R and Ms R have made about their executors and the actions they might have taken upon reading this letter, because what they describe is a hypothetical scenario – it didn't happen – I don't think it is necessary to engage any further with this.

So, for the reasons above, I will not be telling ReAssure to refund part of the premium (or split it as Mr R and Ms R have offered) or to delay the collection of next year's premium. Mr R and Ms R's policy requires the full premium to maintain the terms and crucially the sum assured, which I understand is important to them. So, ReAssure has done nothing wrong in seeking and applying the full annual premium to their policy for continuation of cover through to December 2023.

Nevertheless, as ReAssure has recognised and apologised for, it is clear Mr R and Ms R have suffered distress and inconvenience as a result of the poor customer service they experienced at times during the re-instatement process of their policy.

Mr R and Ms R have said ReAssure's failings started when it failed to tell them that their direct debit had been cancelled. They say their bank wrote to ReAssure in April 2022 to let them know, so it could've notified them. They've also provided a letter ReAssure sent in November 2022 offering them the option to increase the level of cover provided, which they say reassured them everything was ok.

I think the November 2022 letter was a standard letter ReAssure likely sent Mr R and Ms R each year offering them an increase in cover. But I accept it would've likely reassured them all was well. I accept it's possible Mr R and Ms R's bank notified ReAssure when the direct debit was cancelled. And if it did, I accept, on the one hand, it could've notified them. But on the other hand, the direct debit for the annual premium wasn't due until later on in the year, so there wasn't necessarily a pressing need for it to act. And Reassure wouldn't have known at this stage the cancellation was a mistake – Mr R and Ms R could've cancelled it because they didn't want to renew their cover. And the matter would then be dealt with, as it was, with ReAssure sending a notification letter following the failed premium collection.

Given the amount of the premium due, it could be argued that Mr R and Ms R ought reasonably to have noticed that the premium hadn't come out of the bank account in December 2022 and taken mitigating action. But I understand they were travelling at the time, so this might not have been possible.

Nevertheless, I think ReAssure could've notified Mr R and Ms R sooner than it did when the

collection of the direct debit failed. While I accept ReAssure can't be held responsible for postal strikes and the non-delivery of mail, its letter of 23 December 2022 was almost three weeks from when it likely knew the direct debit collection had failed. And the letter was sent just before Christmas, meaning it wouldn't likely arrive in a timely manner to allow Mr R and Ms R to take prompt action and before things entered the arrears process. In my view, earlier notification could've prevented the policy going into the arrears process thus avoiding the inconvenience of Mr R and Ms R having to go through the necessary administrative and health processes to re-instate the cover. But even if not, Mr R and Ms R should've been given clearer information at the beginning of January 2023 about what was needed and what would happen, including being told earlier that the policy had entered the arrears process and what that meant they'd have to do to re-instate cover. Because it didn't, I think this caused both distress and inconvenience to Mr R and Ms R, particularly given the sum assured involved and concerns about not being covered.

So, taking all of this into account, together with the inconvenience I can see Mr R and Ms R were put to chasing things up when they didn't receive prompt answers to their queries, I think ReAssure's offer of £250 – a total of £400 given it has already paid £150 – is fair in all the circumstances. It is also in line with the level of award I would make had ReAssure not offered to do so.

So, I uphold this complaint and award Mr R and Ms R compensation.

### **Putting things right**

ReAssure should pay Mr R and Ms R £250 for the distress and inconvenience caused, as it has offered to do.

### **My final decision**

I've decided to uphold this complaint. ReAssure Life Limited trading as ReAssure should now pay Mr R and Ms R £250. I make no other award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R and Mr R to accept or reject my decision before 29 March 2024.

Paul Featherstone

**Ombudsman**