

The complaint

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

What happened

In brief summary, in 2018, Mrs C took out a Co-op funeral plan costing £3899. She chose to pay by instalments. The monthly cost was approximately £29 and Mrs C was due to pay over 17 years, meaning she'd pay a total of nearly £5928.

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

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

Mrs C remained unhappy, so she asked the Financial Ombudsman Service to look into things. Our investigator upheld her complaint. She was satisfied Mrs C wasn't told what the instalment costs would be and that Mrs 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 Mrs 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.

Mrs C says the plan was bought online. She's been clear she wouldn't have purchased if she'd understood the true cost of her plan. I've not seen any information from Co-op about the sales process, specifically, what Mrs C would've seen when she was buying the plan and what costs information was available to her before she made her 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 Mrs C likely received a personalised quotation before she purchased online. But it seems Mrs 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 Mrs C after she'd bought her plan. This letter does show the payment term and monthly cost. But again, it doesn't give the overall cost to Mrs 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 Mrs C with clear information about all the costs associated with her funeral plan to enable her to make an informed choice.

Mrs C's specific complaint is that she shouldn't be charged a cancellation fee, because she'd never have bought the plan had she been made aware she'd be charged nearly £2029 for paying by instalments. I accept this as the only evidence of what Mrs C might've done with clearer information. So I'm going to direct Co-op to put Mrs C back in the position she 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

Mrs 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 Mrs C the £250 it has retained as a cancellation fee on her plan. This will mean that the total payments made have been refunded to Mrs C.
- In addition, in line with our usual approach, set out on our website, Co-op should refund Mrs C 8% per annum simple interest on each payment she made towards her 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 Mrs C how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so that she 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 Mrs C to accept or reject my decision before 12 December 2023.

Jo Chilvers
Ombudsman