

The complaint

Ms C says that Zurich Assurance Ltd (Zurich) has repeatedly provided incorrect and misleading information. She says that she thought her life assurance policy would provide life cover up to her death, but this has proven not to be the case.

Ms C's daughter is acting on her behalf in respect of this complaint. For ease of reading, I'll usually refer to Ms C only.

What happened

Ms C has a Zurich adaptable Life plan that was started in June 2001. This is a whole-of-life assurance policy. At the start it provided life cover of £577,439 for a premium of £418.81 per month. The life cover amount was payable on the second death of either Mr or Ms C. Both the sum assured, and the premiums can be altered.

The premiums paid are invested into a fund and the life cover costs are taken from the fund. The plan is reviewed at regular intervals to ensure the amount in the fund is high enough, given what is or has been paid into it, to support the level of life cover provided.

Mr and Ms C stopped paying the premiums into the policy on 31 October 2006. And it was placed on a 'premium holiday' at this point. The life cover costs have been taken from the fund value that has been built up since this time. As far as I am aware there have been no premiums paid into the policy since 2006. I don't have complete information about this, but it doesn't materially affect the complaint.

I understand that Mr C passed away in 2015 and since then the policy has been based on the life of Ms C alone.

The issues that Ms C now complains about started with a letter that was sent to her on 11 November 2011. There is some information about the policy in this letter including a current fund value of £34,902.37. This letter confirmed that the policy was in a contribution holiday, and it was estimated that it would provide life cover until 2048. Ms C says that this led her to think that she wouldn't need to make any premium payments until 2048.

It's been established this 2048 date was incorrect. And I've seen a letter dated 6 July 2011 to Ms C's adviser that showed that the policy could be maintained for seven to eight years if no further premiums were paid. And a letter dated 8 July 2015 to Ms C that informed her that the policy may only run for four more years if premiums were not paid.

Zurich has provided the annual statements for the policy for the years 2015 to 2022. These show the fund value correctly and that it has varied over time. The fund value in the August 2022 statement was £3,901.80.

And some of the statements show when the fund will be exhausted. Towards the end of this period these letters were broadly saying that this would happen by late 2022 or early 2023 (depending on how it performed). And that the life cover would end at this point and the plan would expire.

In early 2023 Ms C requested information on what she would need to pay if she were to restart paying the premiums. She was told that, due to the length of time the premiums had remained unpaid, she would need to now pay £3,005.89 each month. And some of the missed premiums which would total £18,035.34.

Ms C contacted Zurich in February 2023 by telephone. She was given the information about the premiums she would need to pay if she restarted the plan in this call. And she was also told that the plan had a current value of £46,577.55. This was confirmed to her in a subsequent email. It has been established that this value was incorrect.

I understand the policy now has no value and has not provided life cover since December 2022. I also understand that it could be restarted if Ms C agreed to pay the higher premiums outlined above.

Following the receipt of all of this information, some of which was conflicting, Ms C complained to Zurich. She complained about the misleading information that she was given in 2011 (about the potential end date of the plan) and in 2023 (the incorrect fund value). And that she thought the proposed premium increase was too high and was not fair.

Zurich has upheld Ms C's complaint. In its response letter of 3 March 2023, it provided some information about the plan and why the premiums would be increased if she were to start to pay. It agreed that it had delayed responding to Ms C's queries. It apologised for this and offered £325 compensation.

Ms C didn't agree with this and responded to Zurich outlining her complaints about the incorrect information she had been provided in 2011 and 2023. She also contacted Zurich and indicated that she wanted to surrender the plan and receive the fund value she had been told it had.

Zurich looked at Ms C's complaint again. In its letter of 29 April 2023, it agreed that the information she was given in November 2011 about the potential end date of the policy was incorrect. And that the recent information it provided about the policy value being £46,577.55 was also incorrect. It said that when Ms C contacted Zurich in 2023 the plan was under review by a technical team, and this has led to her being provided with incorrect information. But it did note that, over the years and for the most part, it had provided correct information about the policy.

Zurich again acknowledged that all of this would have caused Ms C some distress and inconvenience and increased the compensation it offered to £775. I understand this has not been paid to Ms C.

Ms C hasn't accepted the steps Zurich has taken to resolve her complaint, and she has referred it to the Financial Ombudsman Service.

Zurich said that the Financial Ombudsman shouldn't consider Ms C's complaint about being informed that the policy could run until 2048. This is because Zurich said that on 8 July 2015 it sent her a letter saying that the policy had a projected lifespan of only four more years. So, Ms C should have been aware that her policy was not likely provide life cover until 2048. And so she should have complained within three years of being given the correct information.

Zurich consented to the Financial Ombudsman Service investigating the complaint about the other incorrect information Ms C had been given in 2023. And her complaints about the premium increase.

An Investigator firstly looked at whether the Financial Ombudsman could consider Ms C's complaint about the information she was given in 2011. She agreed that Ms C's complaint about this wasn't brought in time. Our complaint file shows that this was discussed with Ms C's representative, and she didn't disagree with this.

Our Investigator then considered the remainder of Ms C's complaints. She agreed that Zurich had provided incorrect information to Ms C, as I've outlined above. But Ms C has also been provided with correct fund valuations on a yearly basis and other correct information about how long the policy would run for if further premiums were not paid. Because of this, she thought the compensation Zurich had already offered was reasonable.

Ms C didn't agree with our Investigator. She said that if correct information was sent in 2011 then she would have taken action and avoided the situation she was in now. That is not having life cover and needing to pay a significant amount if they wanted life cover going forward. Ms C feels that having to pay £3,000 a month can't be right. She has been unable to surrender the policy and receive the value of it. The information they have been provided is confusing and Zurich has not provided adequate assistance to them

The Investigator wasn't persuaded to change their opinion, so the complaint was referred to me to make 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.

Why I can't consider Ms C's complaint about some of the information she was given in 2011

Zurich has said that the Financial Ombudsman shouldn't consider Ms C's complaint about being informed in 2011 that the policy would provide life cover without further premiums until 2048. One of our Investigators has considered whether this part of Ms C's complaint has been brought in time and she thought that it had been brought to late. There isn't an ongoing disagreement about this.

So, I won't consider whether this part of the complaint is out of time in detail. But I agree that Ms C's complaint about being told in 2011 that the policy could run until 2048 isn't one I can consider. This is because she has been given information from as early as 2015 that shows this to be incorrect so she could have brought this complaint earlier. I don't think this part of her complaint has been brought in time. And it isn't within the jurisdiction of the Financial Ombudsman Service.

The remainder of Ms C's complaint.

This centres on the recent times when Ms C made some enquiries about the policy and she wanted to possibly restart paying the premiums or surrender it. I agree that she was given misleading information here. She was told the policy had a significant value in 2023 when this wasn't the case. Ms C seems to have thought that she could surrender the policy and realise this value.

But Ms C has also been given the correct information about this on an ongoing basis. The annual statements show that she has been correctly informed about how much the policy was worth and how long it would run for without further premiums being paid. Overall, I think it's fair to say that the information provided by Zurich has been mostly correct.

It's clear that in 2023 Ms C was informed that the policy had a significant value when it didn't. And it's also evident that Ms C wanted to surrender the policy and receive this amount.

But the policy didn't have a fund value of £46,577.55 and so she isn't able to receive this money. She hasn't 'lost out' on the receipt of this as the policy didn't have this value. I appreciate this would have been very frustrating for her, and the information provided by Zurich would have raised her expectations about what she could receive. But it wouldn't be fair to make an award on the basis she received this as the policy wasn't worth this amount.

Ms C complains that the premium increase that Zurich has recently said she would need to pay if she were to restart the policy is too high. But the terms of the contract are that the policy is reviewable and so the cost of life cover will increase with age. And when the original premium was set it would have assumed that Mr and Ms C would continue to pay into the policy, which hasn't happened.

It isn't possible for me to comment in detail on how this policy is underwritten and costed. But as far as I can see Zurich hasn't acted outside of the terms of the mutual contract when it said the premium needed to increase to the levels it did. And I haven't seen any evidence that shows the premium it has said Ms C now needs to pay is incorrect.

I do note that Ms C has said that she may have made other arrangements if she wasn't provided with incorrect information. But Ms C has mostly received correct information, and this has included statements that shows the fund value was falling over time as no premiums were being paid.

Ms C says that she received correct information in 2022, and this caused her to act. And if she had received better information earlier then she would have correspondingly acted earlier. And either restarted the premiums or cashed the policy in and looked elsewhere. But I think Ms C did receive correct information for the most part, so I think she could have acted if she had wanted to. So, I don't think her complaint should be upheld on this basis.

Whilst I'm not persuaded that Ms C would have acted any differently if Zurich has not made the errors it did, I appreciate these errors would have caused Ms C some distress and heightened her expectation of what she may receive. But I think the amounts that Zurich has offered to pay to her are reasonable compensation for this.

My final decision

Zurich Assurance Ltd has already made an offer to pay £775 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that Zurich Assurance Ltd should pay £775.

For the avoidance of doubt if Ms C has already received this then Zurich doesn't need to pay it again.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 6 March 2024.

Andy Burlinson
Ombudsman