

The complaint

Mr D has complained that Sun Life Assurance Company of Canada (U.K.) Limited ('Sun Life') stopped taking the premiums for his pension.

Given no premiums have been taken since September 2022 Mr D has stated the value of his pension has been negatively impacted and he has lost out on the growth those premiums would have made within the pension.

What happened

After noticing that the premiums for his Sun Life pension had stopped being taken from his Bank account in September 2022, Mr D raised a query with Sun Life in December 2022. This was escalated to a complaint in January 2023.

On 13 March 2023 Sun Life issued their response to the complaint.

This explained that a technical issue meant that from June 2022 until September 2022 a premium of £48.67 was collected from Mr D each month rather than the correct £53.86 premium.

In trying to correct this issue Mr D's direct debit was stopped entirely from September 2022 onwards.

Sun Life accepted the error and stated that to resolve the error they would be willing to pay half of the missed premiums (an amount of £171.86) with Mr D paying the other half. The correct premium could then be re-instated from April 2023 with Sun Life also looking at historic unit process to ensure the overall pension value was unaffected by the error.

Unfortunately, this letter was not received by Mr D, with it subsequently being clarified that Mr D had changed address.

A further response was issued on 19 May 2023.

The outcome and rationale included remained the same, however Sun Life updated their offer to reflect the fact that further premiums had been missed. Sun Life again offered to pay half the missed premiums on Mr D's behalf, with Mr D paying the remaining balance. As such, this later offer meant Sun Life covering £225.85, Mr D also contributing this amount, and the normal premium re-commencing from June 2023.

On 12 June 2023 Sun Life wrote to Mr D stating they had received his acceptance of their offer and requested he forward the amount due to cover his contribution towards the missed premiums.

In June 2023 Mr D referred his complaint to this service wanting Sun Life to take on all costs associated with returning the policy to where it should have been.

Whilst the complaint was being investigated by this service Sun Life provided further information in December 2023.

As no resolution had been found to the complaint, further premiums had been missed and the outstanding balance had increased. Total outstanding premiums were now £912.65. Sun Life updated their offer and stated they would cover £450.15 of the missed premiums with the remaining £462.50 falling to Mr D.

Sun Life offered a repayment plan where this amount could be repaid over 10 months (£46.25 per month) with Mr D's regular premiums (now £61.13) also re-commencing in January 2024.

Our investigator concluded that the offer was fair.

Mr D did not agree stating that he could not afford to repay the amount being asked of him. In addition, Mr D stated that he was considering encashing the entirety of the pension and had been told that as no premiums had been paid for over a year the policy could not be re-instated. Also, Mr D queried why the policy had fallen in value over the previous year.

The investigator stated that whilst it was appreciated the offer from Sun Life required an increased monthly contribution from Mr D to cover some of the missed premiums, this was considered reasonable as Mr D's bank account would have benefitted from the fact no premiums had been deducted since September 2022.

Additionally, whilst it can be the case that pension policies are made paid-up if no contributions are made for an extended period, Sun Life's offer was clear that the policy could be re-instated. Finally, regarding the performance of the pension, our investigator noted that the performance of the pension was subject to the volatility of the stock market.

As Mr D did not agree with the outcome reached by the investigator the case has been passed to me 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.

I would note that Sun Life have accepted that an error has occurred and as such this decision has focussed on what is needed to put things right, and whether the offer made by Sun Life is reasonable.

It is important to note that when a business has made an error any redress instructions I give are intended to place the affected consumer as close as possible to the position they would most likely be in were it not for that businesses error.

Having looked at the chain of events above I have reached the same conclusion as our investigator and believe Sun Life's offer is fair.

As above, my instructions must be intended to place the consumer into the position they would most likely be in had a business error not been made. In this case, had no error been made, Mr D would have to have paid every premium each month – an amount totalling £912.65 (to December 2023).

Firstly, Sun Life have offered to look at historic unit prices and ensure that premiums are credited to Mr D's pension on the date they should have been paid. As such, the solution offered considers the performance of the underlying investments held within the pension and ensures Mr D does not lose out on any investment growth. This is what I would instruct in similar circumstances and as such see no reason to alter this element of Sun Life's offer.

Regarding the missed premiums, Sun Life have offered to meet approximately half the cost of these meaning that (if accepted) Mr D would have £912.65 in additional premiums added to his pension policy whilst only contributing £462.50 himself. Sun Life's offer would actually leave Mr D better off than he would otherwise have been were it not for the error.

I appreciate that in the current financial climate and unexpected bill, or new monthly outgoing can cause financial challenges, however Sun Life's offer has sought to mitigate this by allowing the amount to be paid by Mr D to be spread over ten months.

Mr D bears no responsibility for the fact his premiums were stopped, and I have considered carefully whether it is reasonable for Sun Life to ask him to increase his monthly outgoings by £46.25 for a period of ten months to make up some of the missed premiums.

However, in line with the investigators findings I have concluded Sun Life's offer is fair. Mr D was aware premiums were not being taken from his bank account from December 2022. As such, Mr D had the opportunity to 'ring fence' this amount each month to ensure the monies were available when needed.

Whilst I appreciate that cost of living challenges meant that Mr D chose to utilise these funds on other things over the months since December 2022, I do not believe it is reasonable to expect Sun Life to cover the entire cost of all the missed premiums as a result of this decision.

Overall, I have concluded that Sun Life's offer adequately takes into account any lost investment growth that may have been made over time with the offer to cover approximately half of the missed premiums also fair and reasonable.

Therefore, whilst I am upholding this complaint, I am not making any changes to the offer already made by Sun Life.

Should Mr D now wish to accept this offer he should contact Sun Life.

Within further comments made to this service after initial findings were issued, Mr D stated that he had been told the policy had now been made paid up, and that no further premiums could be contributed however I see no reason to doubt that Sun Life could implement their offer should Mr D accept it.

In addition, Mr D questioned the value of his pension, noting that this had fallen recently. Here I would echo the comments made by our investigator in that the encashment value of the pension will be tied to the performance of the underlying investments. I would also note that this decision relates only to the issue around the missing premiums, with any issues Mr D may have regarding the value of his pension needing to be referred to Sun Life before they can be considered by this service.

Putting things right

Sun Life should seek to implement the offer made in December 2023 should Mr D decide to accept this.

If Mr D does not wish to accept this offer, then no further action is required of Sun Life regarding the missed premiums.

My final decision

As per the rationale above, whilst I am upholding this complaint, I do not require any further

action from Sun Life Assurance Company of Canada (U.K.) Limited other than to implement the offer already made, should Mr D accept it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 13 February 2024.

John Rogowski
Ombudsman