

The complaint

Ms M complains that ActiveQuote Limited mis-sold her a life insurance policy.

What happened

In 2018 Ms M took out a life insurance policy. Ms M was sadly diagnosed with cancer in 2019.

At around the same time in 2019 the insurer who underwrote the policy explained that they weren't going to be able to offer cover anymore at the next renewal date. They explained that the underwriter of the policy changed, and a new moratorium started. The effect of this was that Ms M wouldn't be able to make a successful claim on the new policy as her cancer diagnosis would be classed as a pre-existing condition.

Ms M complains that she's now in a position where she can't claim for her cancer diagnosis due to the policy moratorium. Ms M said the policy was mis-sold because she'd asked for a ten-year policy. ActiveQuote said Ms M's applications had been declined by two different insurers and the policy hadn't been mis-sold. Ms M referred her complaint to the Financial Ombudsman Service.

Our investigator looked into what happened and upheld the complaint in part. She recommended ActiveQuote pay Ms M £200 compensation as they failed to give her full details of the policy. But she didn't think ActiveQuote needed to do anything more to put things right.

ActiveQuote accepted the investigator's findings. Ms M didn't agree and asked an ombudsman to review the complaint. She didn't think the award of £200 compensation fairly reflected her financial losses. Ms M said she wouldn't have taken out the policy if the details had been made clearer and she'd have taken out a different policy. She thought that ActiveQuote should pay the lump sum of £50 000 she expected to receive. So, the complaint was passed to me to make a 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.

In 2019 the underwriter of the policy changed, and the three-year moratorium period restarted. That's not something that ActiveQuote were involved with or responsible for. So, I can't fairly hold them accountable for this. However, Ms M may wish to direct these concerns to the relevant underwriters of the policies if she's unhappy with the changes that were made, how those changes were communicated or the outcome of any claims decision.

My decision will focus on the sale of the policy in 2018. ActiveQuote recommended the policy to Ms M. So, in line with the relevant rules and industry guidelines, they needed to ensure that it was right for her. And they also needed to give information that is clear, fair and non-misleading.

I'm not persuaded that the recommendation was unsuitable for Ms M in the circumstances of this case. Ms M had not been able to take out cover with two major insurers and, based on the information provided, she was recommended a policy which was within her budget, and which provided a reasonable level of cover for that price.

I've carefully considered what Ms M has said about the policy being annually reviewable and renewable. This contract of insurance is an annual policy, which runs for 12 months. I think that the implications of this ought to have been more clearly explained to Ms M by the advisor. ActiveQuote were recommending a policy to Ms M and were aware that she wanted a policy for ten years. ActiveQuote weren't able to source that type of policy for Ms M as her initial applications were turned down. So, I think she'd have benefitted from a better explanation of how the policy terms would work given that it was a different product to the type of products she had expressed an interest in.

I do think Ms M had some information which would have enabled her to query it with ActiveQuote if she wanted to. The policy certificate says that cover starts on 1 December 2018 and ends on 30 November 2019. And the policy terms also say that the policy lasts for a period of 12 months from the start date. Ms M had would have been able to cancel within the cooling off period without charge but chose not to do so. However, as ActiveQuote advised Ms M to take out the policy, I still think this ought to have been more clearly explained to her.

I've not seen any evidence that ActiveQuote were aware that the underwriter would or could change. So, I don't think this was something they were in a position to explain to Ms M, based on the evidence I've been provided with.

I've considered whether ActiveQuote ought to pay Ms M a lump sum or a proportion of it. I'm not persuaded that leads to a fair and reasonable outcome in the circumstances of this case. I accept it's possible that Ms M may have explored other plans and that she may have been able to take out cover elsewhere. But Ms M had already had two applications rejected which was why ActiveQuote recommended a policy with guaranteed acceptance. I've also taken into account what Ms M has said about her budget.

On balance, I'm not persuaded that Ms M would have most likely rejected this policy given that it was guaranteed acceptance, within her budget and offered a reasonable level of cover, particularly bearing in mind that she'd unsuccessfully applied for two policies already.

ActiveQuote accepted our investigators findings that they failed to give Ms M full details of the policy. As I've outlined above, I think it would have been reasonable for ActiveQuote to explain in more detail the difference between this policy and the type of policy she'd originally expressed an interest in. I think that this has caused some confusion and worry when Ms M contacted her insurer and was told that she couldn't claim as I think she then realised the implications of the policy terms. I don't think Ms M fully understood the implications of holding a renewable policy until then. I think £200 compensation fairly reflects the distress and inconvenience caused by discovering this following her diagnosis.

Putting things right

ActiveQuote needs to put things right by paying Ms M £200 compensation for the distress and inconvenience caused.

My final decision

I'm partly upholding Ms M's complaint about ActiveQuote Limited and direct them to put things right in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 4 March 2024.

Anna Wilshaw
Ombudsman