

The complaint

Mr and Mrs G complain that Personal Touch Financial Services Ltd (PTFS) mis-sold them life insurance when they were remortgaging in 2012. They believed their policy included critical illness cover, when in fact, it did not.

What happened

The history of this complaint is well known to both parties, so I won't go into all the details here. In brief, in 2012, Mr and Mrs G met with a financial advisor to discuss their borrowing and protection arrangements.

The advisor recommended a two-year fixed rate mortgage and a new joint decreasing term life insurance policy, which later commenced with a monthly premium of just over £72.

Most unfortunately, in 2023, Mrs G was diagnosed with cancer. She contacted the insurer to make a critical illness claim on her policy. But she was shocked to be told that her policy didn't include critical illness cover. She complained the policy had been mis-sold.

PTFS responded, saying it didn't think the advice given was unsuitable. It said the advisor had taken into account Mr and Mrs G's circumstances and needs at the time.

Mr and Mrs G were unhappy with PTFS's response, so brought their complaint to the Financial Ombudsman Service. Our investigator looked into things, but didn't think the policy had been mis-sold. Mr and Mrs G disagreed, so the case has been passed to me to issue 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'm not upholding this complaint. I recognise my decision will disappoint Mr and Mrs G and I'm sorry about that, particularly in view of Mrs G's recent ill-health. A summary of my reasons is given below, focusing on the key points and evidence I consider material to my decision.

The fact find document, signed by Mr and Mrs G in April 2012, records '*not applicable*' in the section titled, '*determining the level of critical illness cover required*'. The document includes some hand-written notes which state, '*critical illness cover not affordable*'. The notes also record, in reference to Mr and Mrs G's existing policy, '*previous advisor stated CI cover was included. Incorrect.*' This is supported by an entry detailing the existing cover, showing critical illness is not included.

The suitability letter addressed to Mr and Mrs G, dated 14 May 2012, shows the advisor recommended a joint decreasing term life insurance policy to match the mortgage term. I've seen evidence to indicate this was based on a fair analysis of the market. In the suitability letter, the advisor said the recommendation was based on Mr and Mrs G's objectives, those being:

'To provide cover for your new mortgage at a cost effective premium. You have increased your borrowing. You do not require Critical illness cover due to a health issue with [Mr G] in 2011 which will require underwriting assessment and [Mrs G's] smoking status.'

From these documents I'm satisfied critical illness cover was discussed but discounted. Under 'reasons for choosing provider(s)', the advisor states:

'I recommend the Life Assurance policy with [name of insurer] whom I believe to be the most appropriate provider to meet your objectives because they will consider Mr's health position.'

And the advisor goes on to say:

'I have recommended that you replace your [existing] policy with this new policy because it is more competitive and it aligns with your new mortgage.'

I've also seen a key facts document from May 2012 which confirms an illustration for mortgage life insurance. The document sets out who the plan covers, the sum assured and term of the policy, the benefits included, the premium and the cost of the advice. There is no mention of critical illness cover in this document.

From what I've seen, Mr and Mrs G were provided with clear information and a recommendation that was suitable in the circumstances.

I understand the premium was increased following medical underwriting, although Mr and Mrs G chose to go ahead with the policy. The plan schedule and acceptance of terms document shows the life cover automatically included terminal illness benefit, but no critical illness cover.

Mr and Mrs G's complaint is that they thought their policy included critical illness cover. I don't doubt this is their genuine belief and understanding. But I'm satisfied the documents from the sale clearly show that critical illness cover wasn't included – this not being achievable due to health issues and affordability. Overall, I'm not persuaded that PTFS has acted unfairly towards Mr and Mrs G. So I'm not going to ask it to do anything more in respect of this complaint.

My final decision

For the reasons given above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G and Mr G to accept or reject my decision before 31 May 2024.

Jo Chilvers
Ombudsman