

## **The complaint**

Mr R complains that Legal and General Assurance Society Limited (L&G) let him cancel a life insurance policy, before reducing the terms on his succeeding policy.

## **What happened**

Mr R says he had a term assurance policy in place with L&G, which provided him with £200,000 of cover, for an £88.10 monthly premium. It was level term assurance, with a term of 20 years. It was taken out through an independent broker.

Mr R says he was contacted by a broker in November 2020. He says that he was told he could increase the level of protection he had (to approximately £235,000), for a slightly increased monthly premium of £94.

Mr R says he confirmed acceptance of the quote and proceeded with the new cover. However, he says that in June 2021 (over six months after the sale), he was written to by L&G to say that they were reducing the level of cover provided for by the premium. L&G say that Mr R's date of birth was presented incorrectly on the new policy. They say that when it was corrected (in January 2021 at the same time the initial policy was cancelled by Mr R), they noted medical ratings on his initial policy and required some further information on this. Following receipt of medical information, L&G says they had requested in February and April 2021, the cover was reduced to £139,059 for the £94 premium.

Mr R complained to the broker and to L&G. He said that he would never have cancelled his initial policy if he had known that he might have ended up with less cover for a higher premium. The broker said they couldn't provide any information from the sale of the policy. They said it was done on the phone and it had not been recorded. They said they hadn't done anything wrong and that they weren't aware of any adverse medical information. They said it was for the insurer to underwrite the policy and cover can be reduced.

L&G also said they hadn't done anything wrong. They said the new policy had an incorrect date of birth and the medical information hadn't been presented. They said they acted in a timely manner when Mr R corrected the information, but that the initial policy had been cancelled.

Mr R brought his complaint to our service. Our Investigator looked into it and didn't think the broker or L&G had done anything wrong. Mr R maintained he hadn't been treated fairly.

I issued a provisional decision on 22 March 2024, an extract of which is below and forms part of this decision.

"My provisional decision

Firstly, I would like to note that L&G are not responsible for the sale of this second policy and that it was the responsibility of the broker to present the correct information. If it had been, Mr R wouldn't have proceeded with this second policy.

However, I also don't think L&G have acted fairly here. When Mr R called to correct the date of birth they had for him, they accepted his request to cancel his initial policy at the same time. I don't think this was the right thing to do and I think it was against general industry practice when a customer is taking out a new policy. Mr R's second policy was still having the details confirmed and was subject to change.

I think L&G should have been aware of this and should not have allowed Mr R to cancel his initial policy. Or should have subsequently reinstated the policy. Not doing so has meant Mr R is in a detrimental position.

L&G have provided further evidence to show that Mr R had stopped paying the monthly premium in November 2020. They say that liability therefore ceased thirty days later and that they couldn't have stopped the cancellation or reinstated the initial policy. However, I don't agree this to be the case. I haven't been provided with any proof of cancellation or notice of missed premium to Mr R, from prior to the January 2021 phone call. I believe the initial policy to have still been in place at that time.

I think L&G could have waited to cancel the initial policy (or advised Mr R during the January 2021 phone call that it might be sensible), until the details of the subsequent policy had been confirmed. If they had done so, Mr R would have kept his original policy in place and resumed paying the premiums.

To put things right, I think L&G should reinstate the initial policy now and refund any extra premiums Mr R has paid. With interest, for his loss of use of the funds. I am not asking L&G to compensate Mr R, I have recognised the role the broker had in causing this issue."

Mr R provided a substantial response. Amongst his points, he said:

- By lowering the sum assured (or requesting an increased premium) L&G were breaching the contract he had entered into.
- Insufficient action was being taken against L&G and they should also be compensating him further.

L&G also responded in full. Amongst their response points, they said:

- They can't have been expected to have done more during and following the January phone call with Mr R. This is because the initial policy had already lapsed due to non-payment of premiums by Mr R.
- They also said that it was unfair to award an interest payment to Mr R, further to the reinstatement remedy. They say they acted on the incorrect instructions given to them and the situation could have been prevented if the details had been checked sooner, which they say they requested.

### **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.

Firstly, whilst L&G have said they couldn't have done more during and following the January call with Mr R, I don't agree. They have said the initial policy had already lapsed and sent

proof of a letter being sent on 2 January 2021 regarding the policy lapsing due to non-payment of premiums. Whilst I don't have a copy of the letter or what it actually said, even if I accept the policy had lapsed, I still think L&G should have done more at this point.

From the call with Mr R just five days later, they were aware of the incorrect information in the superseding application. They had linked the initial policy to Mr R and were aware that the initial policy had adverse medical decisions which impacted the premium/sum assured. The right and fair thing to have done, was to have picked up on this and made Mr R aware. I would have then expected them to have reinstated the initial policy and Mr R to have agreed to that, rather than proceeding with the new policy on reduced terms.

I appreciate that Mr R feels this is a breach of contract, but I don't agree. The application which he signed, included incorrect medical information as well as an incorrect date of birth. This signed form also made clear, *"I am aware that the information provided will form part of the legal relationship between us and if any of it is found to be incorrect it may mean that a claim is not paid or the policy(ies) is amended or cancelled"*. L&G were therefore entitled to amend the terms as they did, when they were given further medical information regarding Mr R.

Mr R has maintained that L&G should be compensating him further. However, as I said in my provisional decision, I am mindful that I am recognising the role the broker (and the incorrect information on Mr R's application) had on this situation.

I note that L&G don't feel they should pay interest to Mr R. However, he has paid an increased premium, in part due to their failings. They have had the benefit of that money and Mr R has had the loss of the use of those funds, which I believe he should be compensated for.

My findings remain as I set out in my provisional decision.

### **Putting things right**

To put things right Legal and General Assurance Society Limited should:

- Reinstatement of Mr R's original policy and cancellation of his subsequent one.
- They should also refund the difference between what Mr R would have paid in premiums for the initial policy, compared to what R has paid in premiums for the subsequent policy.
- This amount should be refunded with 8% interest from the date the premium was paid.

### **My final decision**

My final decision is that I uphold this complaint, and Legal and General Assurance Society Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 17 May 2024.

Yoni Smith  
**Ombudsman**