

## The complaint

Mrs D has complained that Aviva Life & Pensions UK Limited mis-advised her with regard to her mortgage options in 2005.

## What happened

In 2003 Mrs D took out a level term life assurance policy to protect her repayment mortgage. Aviva subsequently underwrote the policy and takes responsibility for this complaint. I will just refer to Aviva for simplicity.

In 2005 Mrs D extended her mortgage term by two years and changed from re-payment to interest only. Mrs D says she contacted Aviva at the time as she wanted the policy to match the term of her mortgage. She says that she was advised the policy could be extended as it included a conversion or renewal option. So Mrs D kept the policy as it was. In 2021 Mrs D contacted Aviva again to arrange for her policy to be extended. She was advised that it wasn't possible to change the cover, or the term of the policy after it had started.

Unhappy Mrs D complained here in 2023. Our investigator recommended that the complaint be upheld. He felt it was likely that Mrs D was given the wrong information in 2005 and therefore lost the opportunity to make alternative arrangements earlier. He recommended that she be compensated in the sum of £200.

Aviva agreed to this, but Mrs D didn't. She said since her policy ended in 2023, she had found she was unable to take out life insurance at an affordable rate and had hardly any life insurance cover. This was worrying for her given her family situation.

I issued a provisional decision on 29 April 2024. I said as follows:

*I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*I've summarised the background - no discourtesy is intended by this. Instead, I've focused on what I find are the key issues here. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I've fully reviewed the file and all the representations made. I'm minded to uphold this complaint for the following reasons:*

- The sale of this policy in 2003 was non-advised – this means that Aviva wasn't required to ensure that it was suitable for Mrs D. However it did have an obligation to provide Mrs D with sufficient information to enable her to make an informed choice.*
- Having considered all the evidence, including the testimony of Mrs D, I find it more likely than not that in response to her enquiry, she was told in 2005 that her policy had a conversion or renewal option. This accords with her policy document, and her schedule doesn't show this wasn't included. But I'm not persuaded she would have been given any information about renewal rates.*

- *Aviva doesn't have any record of what Mrs D was told in 2005, this is not surprising given the passage of time. But I find that advice was given about extending the policy and that it was incorrect. I'm also satisfied Mrs D wouldn't have been offered a conversion and renewal option. Firstly, because it wasn't offered on unadvised sales which this was, and secondly because conversion and renewal options were only included on policies offered on standard rates. Mrs D's policy wasn't on standard rates – medical information was sought and the premium increased as a result. So I need to consider what it is likely Mrs D would have done had she been given the correct information – that she wouldn't be able to extend her policy. As she wanted to ensure she had cover for the full term of her mortgage, I think it likely that she would have sought cover at that stage for the full term of her mortgage – that is, up until 2025.*
- *Accordingly I find that Mrs D has been disadvantaged as her policy has come to an end and she is now without cover for the mortgage until it ends next year. I haven't disregarded that she had the cover she required until 2023 – thankfully there was no need to claim. But I find she was led to believe that she would be able to extend the policy, and she may have wanted to do so.*
- *I appreciate this is worrying for her now, particularly as she had tried to ensure that she was fully covered. I understand that Mrs D wanted to ensure she had done all she could to provide for her son in the event of her death. I find that compensation is due for the lost opportunity to arrange cover for the revised term of the mortgage, and the distress caused by the situation she now finds herself in. However I also consider it likely that she would have paid slightly more for a new policy in 2005, so it may be there was a financial saving. In the circumstances I provisionally find that £200 compensation is fair.*
- *For completeness I would say that I don't find that the quote Mrs D has provided showing the premium for cover of £100,000 for 28 years is comparable to the policy she had which was for less than half of this amount. And as noted above I also don't find that any assurances were given by Aviva about the policy rates or terms – only that the policy could be extended.*

For the reasons given above my provisional decision was that I was minded to uphold the complaint and require Aviva Life & Pensions UK Limited to pay Mrs D £200 in compensation.

I invited the parties to make further comments or submit further evidence. Both parties confirmed that they had nothing further to add.

### **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.

As neither party has made any further comment or submitted any further evidence for me to consider I see no reason to depart from my provisional findings, which I adopt here.

I find compensation is due to Mrs D for the lost opportunity to arrange cover for the revised term of her mortgage and for the distress the situation caused her.

### **My final decision**

My final decision is that I uphold this complaint in part. I require Aviva Life & Pensions UK Limited to pay Mrs D £200 in compensation. I make no further award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 7 June 2024.

Lindsey Woloski  
**Ombudsman**