

The complaint

Mr and Mrs E are unhappy that Life and Easy Limited trading as FYB mis-sold them a life and critical illness policy ('the policy').

What happened

Life and Easy Limited sold the policy to Mr and Mrs E in 2018 and that included upgraded critical illness benefit and upgraded children's benefit.

At the time Mr and Mrs E were given a critical illness comparison report which said that diabetes (type 1 insulin-dependent) was included as a critical illness under the child and adult policy upgrade.

Subsequently, after the policy was taken out, Mr and Mrs E's son was diagnosed with type 1 diabetes, and a claim was made under the policy for the children's critical illness benefit. The insurer ultimately declined that claim as it said that this condition wasn't listed as critical illness under the upgraded children's critical illness at the time the policy started.

Mr and Mrs E complained to Life and Easy that the policy had been mis-sold. Life and Easy didn't agree so Mr and Mrs E brought a complaint to the Financial Ombudsman Service to investigate.

Whilst investigating the complaint, Life and Easy made an offer of £300 compensation via the Financial Ombudsman Service. Our investigator felt that Mr and Mrs E had been given incorrect information when taking out the policy and this offer fairly reflected the impact this error had on them.

Mr and Mrs E didn't agree. So, their complaint has been passed to me to consider everything afresh to decide.

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.

This was an advised sale so Life and Easy had an obligation to ensure that the policy was suitable for Mr and Mrs E's needs. It was also under a duty to give Mr and Mrs E clear, fair and not misleading about the main terms of the policy.

Having considered the policy documents, the fact find completed around the time of sale and the summary of demands and needs, I'm satisfied that Mr and Mrs E had a need for the policy. And although it was due to replace some existing (and similar) cover they had in place, looking at features such as the main benefits, term and cost of the policy, I think it was a suitable recommendation.

However, I do think Life and Easy is responsible for providing Mr and Mrs E with confusing and misleading information about the policy.

A critical illness comparison report was prepared for Mr and Mrs E which said that diabetes (type 1 insulin-dependent) was included as a critical illness under the child and adult policy upgrade. However, at the time the upgraded list of children's critical illness covered under the policy didn't include diabetes (type 1 insulin-dependent). That change was made shortly after the policy was taken out and didn't form part of the applicable policy terms at the time of sale.

I've carefully considered whether, if Mr and Mrs E hadn't been given incorrect information in the critical illness comparison report about diabetes (type 1 insulin-dependent) and it hadn't been included as a critical illness under the child policy upgrade, whether they would've still opted to take out the policy at the time.

I have no way of knowing for sure what they would've done but on the balance of probabilities I think it's more likely than not that they would've still chosen the policy.

I haven't seen any evidence to persuade me that Mr and Mrs E were or would've been concerned that their children might develop type 1 diabetes or having critical illness cover for this particular condition was important to them for any reason around the time the policy was taken out. So, on the balance of probabilities, had the information contained in the critical illness comparison report been correct (in relation to type 1 diabetes not being listed as a critical illness under the (upgraded) children benefit, I think they would've still taken the policy. Particularly given the other benefits and the number of other conditions which were listed as critical illnesses.

Because I'm satisfied that it's likely that Mr and Mrs E would've ended up with the policy they bought, I don't think it would be fair and reasonable for me to direct Life and Easy to pay the benefit Mr and Mrs E say should've been paid if the policy had included type 1 diabetes as a critical illness condition under the children benefit.

However, I accept that finding out that they had been given wrong and confusing information would've been upsetting for Mr and Mrs E particularly as their son was diagnosed with type 1 diabetes and they went to the trouble of making a claim in light of the information they'd been given when the policy was sold. And to then find out that the policy didn't include type 1 diabetes under the children benefit, I accept, would've been disappointing and upsetting.

I'm satisfied £300 compensation fairly reflects the distress and inconvenience Mr and Mrs E experienced because of Life and Easy's error.

Putting things right

I direct Life and Easy to pay Mr and Mrs E £300 compensation for distress and inconvenience.

My final decision

I uphold Mr and Mrs E's complaint to the extent set out above and direct Life and Easy Limited trading as FYB to put things right by paying £300 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs E to accept or reject my decision before 8 October 2024.

David Curtis-Johnson
Ombudsman

