

The complaint

Mr H has complained that Lifesearch Partners Limited mis-sold him life and critical illness insurance

What happened

The background to this complaint is well known to the parties so I won't repeat it in detail here. In summary in August 2022 made an enquiry and a Lifesearch adviser called him back. There was a sales conversation and Mr H agreed to purchase life and critical illness standard cover, which the adviser recommended.

In June 2023 Mr H called again to enquire about enhancing the children's cover under his policy and additionally getting cover for his partner.

Mr H subsequently made a claim for his son who had been diagnosed with a serious condition. As this wasn't covered under the standard plan, Mr H raised a mis-sale complaint. When Lifesearch didn't uphold his complaint, he referred the matter here.

The investigator didn't recommend it was upheld.

Mr H appealed and the case was passed to me to determine. I issued a provisional decision and 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.

Although I've summarised the background to his complaint, I've carefully considered all that's been said and sent to us. Having done so I have reached a different conclusion to that of our investigator and am minded to uphold the complaint in part. I'll explain why. The relevant regulator's rules provide that a firm must take reasonable care to ensure the suitability of its advice for any customer who is entitled to rely on its judgment.

Mr H says that when taking out the policy in August 2022 his main priority was making sure that his son was covered if the worst ever happened. His testimony is that he made the adviser fully aware that he wanted the best possible coverage money could buy. I've listened carefully to the sales call Mr H had with the Lifesearch adviser. Mr H said that he was after critical life insurance for himself and his little boy. It was agreed that the adviser would look for a similar level of cover as he had had previously.

The adviser explained that for children's critical illness cover it would typically be half the value of the parents' cover, usually up to £50,000 – which would give child cover up to £25,000. The adviser asked how much cover he should get a quote for, Mr H agreed £35,000 for a term of 35 years. There was no mention that Mr H wanted more cover than this, or the best possible cover money could buy. So I don't accept Mr H's testimony in this regard.

The conversation continued. The adviser went on to explain the differences in policies

provided by different providers. He recommended the insurer, I'll call R. The adviser said that R's policy was with standard critical illness cover. He explained that R did offer enhanced children's cover – but that put the price up to £21.81. He said:

“The amount of cover isn't any different, but they cover some congenital conditions, children that were born with certain conditions. I don't know if the plan would be to have any more children in the future?”

Mr H answered, “Probably not”. So the adviser continued:

“So even though only a pound more, £1.10 more, I would probably just go for the core cover. It (the enhanced cover) is really good for someone looking to start a family... but as your son is four now it's more just the general conditions.”

The conversation then moved onto the conditions covered for Mr H and the cost of the plans.

The adviser recommended the policy with R. He explained why and compared with other policies. I think his recommendation was suitable in this regard.

However the information given about the enhanced children's cover was incorrect. Although the enhanced cover did in the main cover congenital conditions, it did also have a couple of other heads of cover, including Child diabetes mellitus type 1 – requiring permanent insulin injections.

I appreciate that the adviser couldn't list all the conditions covered. And even if he had done so, I can't say whether Mr H would have taken the enhanced cover. His son was already four and the standard cover did offer the same comprehensive cover for his son as for Mr H.

But Mr H accepted the advice given, wanted to go ahead and gave his card details for the direct debit to be set up. I note Mr H was advised during the call that he could cancel within 30 days of receiving his policy terms and conditions. I accept too that he was sent the Key Facts document and advised to read it carefully to make sure he understood what he was buying.

Lifesearch has said Mr H should have done his own research, I don't find that to be unreasonable. However it is apparent that Mr H accepted what the adviser had told him and went ahead on that basis. The email he received from Lifesearch after the sale confirmed this. It said: You were happy to proceed with the policy agreed over the phone on the basis of the information disclosed in the call, on the understanding that full details will be sent in the post, and that you retain the right to cancel the policy within 30 days of inception.

Accordingly my provisional finding is that Mr H was given incorrect information by the adviser with regard to the enhanced children's cover. I'm satisfied that he relied on this information and proceeded to take out the policy with standard children's cover on this basis. I appreciate that children's cover wasn't the main reason that Mr H was purchasing cover. Nevertheless I find he may have opted to take the enhanced cover if he had been given the correct information. I find that compensation is due to Mr H for the misleading information that he was given.

Awarding compensation is not an exact science, and as indicated I can't say with any certainty what would have happened had Mr H been given the correct information. But I must determine this complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case. I find it is a possibility that Mr H may have taken the enhanced cover and now been in a position to make a claim, that would have been approximately £17,500. Accordingly I'm minded to find compensation in the sum of £8,750 is

fair and reasonable in the circumstances here. In arriving at this figure I've taken into account the possibility that the opportunity to claim was lost, and the distress Mr H experienced when he understood that his son's condition wasn't covered.

Mr H has also complained that when he again contacted Lifesearch in June 2023, he wasn't given a full or accurate response. His wife was pregnant at this stage. But I'm satisfied that an adviser did call Mr H back and explained the policy would protect an unlimited number of children for critical conditions. The adviser said he would contact the insurer with regard to amending the plan, which he did and then emailed Mr H the information. Mr H didn't respond to this email. Although Mr H has subsequently discovered that the premium figures he was quoted were incorrect, I can't speculate as to what may have happened if he had responded to the email. So I'm not minded to uphold this part of his complaint.

So my provisional decision was that I was minded to require Lifesearch Partners Limited to pay Mr H £8750 in compensation. I said that I'd look at any more comments or evidence I received, but unless that information changed my mind my final decision was likely to be along the lines of my provisional decision.

Mr H accepted my provisional decision. He commented that it wasn't the full amount that his son would have been entitled to but would go a long way in supporting the family financially.

Lifesearch didn't feel that 50% of the potential benefit was reasonable compensation as Mr H was given the opportunity to amend the children's critical illness cover in June 2023. It said that its adviser had conducted the relevant research and forwarded the new quote to Mr H and this was not responded to. Lifesearch noted that Mr H has stated he didn't receive an answer to his query, however it said that if amending the cover was as important as he suggested it questioned why he didn't contact Lifesearch to chase this lack of response.

Lifesearch also made the point that Mr H told the adviser in August 2022 that he didn't plan to have any more children. It felt that this comment led to the adviser deeming it unnecessary to discuss in any more detail the relation to the specifics of the children's critical illness cover. Lifesearch appreciated that the adviser's comments were vague and incorrect, but it felt Mr H didn't state that the children's cover was his main need. It said that if this was the case, then when Mr H was advised that there were two options available for the children's critical illness cover, if it was his priority, he would have opted for the enhanced cover without question. This being so Lifesearch requested that the settlement was reduced to 25% of the potential benefit.

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 persuaded to change my provisional findings which I adopt here.

I've considered the points that Lifesearch has made. I agree that Mr H didn't respond to the email sent following his enquiry or chase this up with Lifesearch. I didn't uphold this part of Mr H's complaint.

It isn't disputed that Mr H told the adviser in August 2022 that he didn't plan to have more children, and I accept that this may have been what led the adviser into giving the incorrect information that he gave. Nevertheless Mr H also said that he had a four year old son, and although I don't find Mr H said this was his priority in getting cover, he did say that he wanted cover for his son. So I remain satisfied that if he had been given the correct information – that is that the enhanced cover *did* provide more cover than just for congenital conditions -

he may have asked what this was and possibly decided to take it. But in trusting what the adviser said was correct, he was deprived of this opportunity. For this reason I remain satisfied that compensation is due.

I'm not persuaded by the representations now made to reduce the compensation to 25% of the potential benefit. I find the sum of £8750 is fair and reasonable in the circumstances.

My final decision

My final decision is that I require Lifesearch to pay Mr H £8750 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 14 August 2024.

Lindsey Woloski
Ombudsman