

The complaint

Mr and Mrs K complain because they say Legal and General Assurance Society Limited (L&G) failed to cancel their joint life insurance policy.

What happened

In 2015, Mr and Mrs K took out a joint life insurance policy. I'll call this policy one. The contract provided £125,000 of life insurance cover and was due to expire in 2045.

Subsequently, in 2019, Mr and Mrs K applied for a new life insurance with critical illness policy, through their building society. I'll call this policy two. This policy was intended to provide cover of around £100,334 and run for a term of 16 years. The application form completed by the policy seller stated that policy two wasn't intended to replace any existing policies held with L&G.

Following the set-up of policy two, L&G contacted Mr and Mrs K's GP as part of its process to obtain a medical report. It learned that Mrs K had a medical condition which it hadn't been told about at application. It said that if the condition had been disclosed, it would have only offered Mr K a policy at that point. It said it would have postponed cover for Mrs K. L&G asked whether Mr K wanted to continue with a sole policy.

Mrs K spoke with L&G in November 2019 and a short while later, Mr and Mrs K decided to cancel policy two and were refunded the premiums they'd paid for it. But policy one remained active and monthly premiums continued to be collected.

In early 2024, Mr and Mrs K noticed that since 2019, L&G had taken around £965.50 from their bank account for policy one. They raised a direct debit indemnity claim because they said they'd believed policy one had been cancelled in 2019. So they felt L&G had taken their money in error.

L&G repaid the full amount to Mr and Mrs K's bank under the terms of the direct debit indemnity process. However, it said it had never received a request to cancel policy one. So it told Mr and Mrs K that policy one had remained active since 2019 and that it had been providing them with life cover during that time. Therefore, it said the premiums had been correctly debited. And it said Mr and Mrs K would need to pay the full amount of £965.50 back or the matter would be passed to its debt recovery team.

Mr and Mrs K were very unhappy with L&G's position and they complained. They said that they'd understood policy one had been cancelled because during Mrs K's call with L&G in November 2019, she'd been told she and Mr K didn't have any life cover with it.

L&G offered to waive half of the outstanding owed amount. But it maintained that Mr and Mrs K hadn't asked to cancel policy one in 2019 or before 2024. And it said a cover reminder letter had been sent to Mr and Mrs K in 2020. So Mr and Mrs K asked us to look into their complaint.

Subsequently, Mrs K tried to pay the halved outstanding premium balance but it seems there

were internal issues at L&G which meant she wasn't immediately able to. And it appears L&G gave her conflicting information about whether or not the money was owed. So L&G paid Mr and Mrs K £100 to reflect the trouble and upset they'd been caused as a result of the difficulties they'd experienced while trying to pay the balance.

Our investigator didn't think L&G needed to do anything more. She didn't think Mr and Mrs K had asked to cancel policy one in 2019 and she was satisfied that L&G most likely had sent a policy reminder letter in 2020. She was also satisfied that when Mr and Mrs K applied for policy two, the application form clearly stated that policy two wasn't intended to replace existing cover. So she thought L&G's offer to halve the outstanding debt was a fair one.

Mr and Mrs K disagreed and so the complaint's been passed to me 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.

Having done so, whilst I'm sorry to disappoint Mr and Mrs K, I think L&G has already settled their complaint fairly and I'll explain why.

The relevant regulator's principles say that financial businesses must pay due regard to the interests of their customers and treat them fairly. I've taken those rules into account, amongst other relevant considerations, such as regulatory rules and guidance and the available evidence, to decide whether I think L&G has treated Mr and Mrs K fairly.

Mr and Mrs K maintain that policy one should have been cancelled in 2019. So I've looked carefully at the available evidence to determine whether I think L&G made an error or failed to act on an instruction to cancel policy one.

After policy one had been set-up in 2015, Mr and Mrs K were sent policy documents which stated policy one's policy number. When the application for policy two was sent to L&G in 2019, the application form clearly asked whether the new policy was intended to replace any existing policies or cover held with L&G. The application form answered 'no'. So I don't think L&G would have been aware that Mr and Mrs K intended policy two to upgrade policy one, as they've told us. If policy two was intended as an upgraded replacement policy and Mr and Mrs K had wanted L&G to cancel policy one before setting-up policy two, Mr and Mrs K would need to take this up with the policy seller.

Policy two was set-up using an entirely different policy number. And I think the paperwork Mr and Mrs K were sent made it clear that it related to a different policy. Following policy set-up, L&G decided it couldn't offer Mrs K cover under policy two at that point. Again, I think the paperwork clearly set out which policy L&G's decision related to. Mrs K called L&G in November 2019 to discuss this.

So I've listened to the call between Mrs K and L&G to see whether I think any clear instruction to cancel policy one was given. And overall, I don't think it was. I think it was clear enough that the purpose of the call was to discuss the underwriting decision L&G had made in relation to policy two. Based on what was discussed, I think L&G's call handler reasonably understood that they were discussing policy two. Nor do I think Mrs K indicated that she already had a policy with L&G or that she was querying whether L&G had also decided to withdraw cover for policy one. So I don't think any clear instruction was given to cancel policy one during the call.

And when Mr K did go on to cancel policy two, I don't think the cancellation notice indicated

that policy one had also been cancelled. That's because the cancellation letter Mr and Mrs K were sent only referred to policy two's policy number. It doesn't appear any such cancellation letter was sent to Mr and Mrs K in relation to policy one in 2019.

L&G has also provided us with a copy of a protection reminder letter it says was sent to Mr and Mrs K in December 2020. This set out details of policy one and included policy one's policy number. In my view, this letter clearly explained that Mr and Mrs K still had an active policy with L&G. As it didn't receive any query from Mr and Mrs K about why the policy remained active, I don't think L&G had any reason to think Mr and Mrs K no longer wanted the policy. While Mr and Mrs K say they never received this letter, I'm satisfied it was correctly addressed. And so I think it's more likely than not that L&G did send this letter.

Overall, I've seen no persuasive evidence that Mr and Mrs K did ask to cancel policy one in 2019 or that L&G made any error by failing to cancel it. Instead, I think L&G was entitled to be paid for cover it was providing. And therefore, I find L&G's agreement to waive 50% of the outstanding premiums to be fair and reasonable in all the circumstances. And I don't think I could fairly or reasonably find that L&G should waive 100% of the premiums when it was covering the risk of Mr and Mrs K making a life claim.

It's clear that following their initial complaint, Mr and Mrs K experienced further trouble in trying to pay the 50% balance which was outstanding. I don't doubt that being given incorrect and conflicting information about whether or not any monies were outstanding, followed by L&G's inability to collect the payment caused them unnecessary trouble and upset. So I think it's appropriate that L&G paid Mr and Mrs K compensation to reflect their frustration and time. In my view, the £100 it's already paid is a fair, reasonable and proportionate award to reflect the modest additional trouble and upset I think L&G has caused them.

My final decision

For the reasons I've given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K and Mrs K to accept or reject my decision before 30 December 2024.

Lisa Barham
Ombudsman