

## **The complaint**

The estate of Ms L complains that AIG Life Limited didn't pay the proceeds of terminal illness claims she made on two life insurance policies into a bank account held solely in her name.

## **What happened**

The background to this complaint is well-known to both parties. So I've simply set out a summary of what I think are the key events.

Ms L held two life insurance policies, each in her own name. Sadly, in December 2022, Ms L was diagnosed with terminal cancer and so her partner at the time (who I'll call Mr X) made terminal illness claims on the policies on Ms L's behalf. Ms L gave AIG authority to deal with Mr X on her behalf.

Initially, AIG made support fund payments to help tide Ms L's family over until the claims were met. While it tried to make those payments to a joint account in Ms L and Mr X's name, it seems the payment failed and so the funds were paid into an account in Mr X's name only.

In January 2023, AIG accepted the claims and it checked where the proceeds should be paid. Ms L initially asked for the payments to be made to her sole account. However, she and Mr X later got in touch with AIG because they were concerned that Ms L's account could have been compromised. And Ms L ultimately authorised AIG to pay the claim proceeds to Mr X. AIG acted on this authorisation and paid around £369,500 to Mr X's own account.

Unfortunately, it appears that Mr X withheld the claim payments from Ms L, although during later divorce proceedings, the court's financial settlement took the claim payments into account.

Ms L asked us to look into her complaint. She said she'd been a vulnerable consumer and she felt Mr X had coerced her into authorising the claim payment to be made to his account. She felt AIG had failed in its duty of care towards her and that it ought to have looked into things more closely before paying the money.

Sadly, the representatives of Ms L's estate let us know that Ms L had passed away. They said that they were seeking compensation to reflect the consequences of AIG's actions on Ms L during her last few months. They told us it had had a real impact on Ms L's plans and caused her real worry. They also let us know that they were seeking the costs of the legal fees Ms L incurred in recovering the money through the courts.

Our investigator didn't think AIG had treated Ms L unfairly. She listened to the calls between Ms L and AIG and she thought Ms L had given clear authority for Mr X to deal with the claim on her behalf. She also felt AIG had taken appropriate steps to check with Ms L which account she wanted the settlement to be paid into. She didn't think AIG could be held responsible for Ms L's concerns that her bank account might have been compromised by a third party fraudster. And she was satisfied that Ms L had confirmed that she was happy for the monies to be paid to Mr X's account. She didn't think there was anything in the calls which ought reasonably to have put AIG on notice that Ms L could be the victim of coercive

control or financial abuse.

The representatives of Ms L's estate disagreed. In summary, they maintained that AIG shouldn't have paid the settlement to any account other than an account held in Ms L's name only.

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 the representatives of Ms L's estate and while I'm sorry to cause them further upset, I agree with the conclusions our investigator reached and for broadly the same reasons, as I'll go on to explain.

First, I'd like to offer my sincere condolences to the family and friends of Ms L for their sad loss. It's clear what an upsetting time this has been for them and I've considered this complaint with sympathy.

I also need to make it clear that I must consider this complaint based on what I think AIG knew or ought reasonably to have known at the time of settlement. I was very sorry to read about what happened following the claim settlement and about the huge impact this had on Ms L, especially at such an already difficult time for her. But I can't fairly decide this complaint through the lens of hindsight or taking into account my knowledge of the events which followed.

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 principles into account, together with other relevant considerations – including the regulator's guidance for firms on the fair treatment of vulnerable customers – when deciding whether I think AIG acted reasonably.

It's clear that given Ms L's diagnosis, she was in a very vulnerable situation. I've borne this in mind. And, taking the regulator's guidance for firms on the treatment of vulnerable customers into account too, I would reasonably have expected AIG to have also borne Ms L's vulnerability in mind when making its checks and deciding whether or not to act on Ms L's instructions

Like the investigator, I've listened very carefully to the calls between Ms L, Mr X and AIG. On 8 December 2022, Mr X contacted AIG on Ms L's behalf because he said Ms L was too upset to deal with the claim. Ms L gave AIG her permission for Mr X to deal with the claim on her behalf. I don't think there was anything in this call which could or ought reasonably to have put AIG on notice that it might not be appropriate for it to speak with Mr X.

Ms L initially gave AIG details of a joint bank account to pay funds into. However, I can see from AIG's notes that when it tried to make the support fund payment to the account, it failed. It seems this was because of the way the account number was structured. At that point, AIG agreed to make the payment to Mr X's sole account – which was the account the premiums were paid from. Potentially, I think AIG could have taken further steps to check with Ms L that she was happy with this course of action. But I haven't seen any persuasive evidence that this support fund payment failed to be passed on or that Ms L was unhappy that the payment had been made in that way.

On 6 January 2023, AIG called Mr X to let him know Ms L's claims had been accepted. Given that Ms L had provided her authority for Mr X to handle the claim, I don't think this was unreasonable. AIG told Mr X that it planned to pay the claim settlement into the joint account. But given the earlier issue with the failed support fund payment, Mr X asked for the money to be paid to the account which the premiums were taken from.

AIG checked with Mr X whether the account was held jointly. When Mr X confirmed the account was in his sole name, it told him that it would need to obtain a new payment declaration from Ms L.

In my view, AIG acted fairly and appropriately at this point. It didn't agree to pay the claim settlement directly to Mr X's account – instead, it wanted to check where Ms L wanted the funds paid to.

Later on that day, AIG let Mr X know it wanted to call Ms L. Mr X agreed and AIG called Ms L about 10 minutes later to discuss payment of the claim. It told Ms L that Mr X had asked it to pay the benefit to his account but that Ms L could choose to have it paid to an account in her own name.

Having listened carefully to the call, it's clear that Mr X wasn't at home and there's no evidence that anyone was telling Ms L what to say or prompting her in any way. AIG also appropriately let Ms L know that she could have some time to think about the best option for payment, which Ms L took up, with AIG speaking with her again a few minutes later. And at that point, Ms L ultimately told AIG that she'd like the benefit to be paid into an account in her own name.

AIG arranged payment in line with Ms L's instruction, as I'd reasonably expect it to do. However, on 11 January 2023, Ms L and Mr X made a joint call to AIG. In brief, they said that they believed Ms L's bank account could have been fraudulently compromised and they asked for a stop to be placed on the payment.

It's clear that AIG's call handler felt the situation Ms L and Mr X had described was unusual. But based on the information they were given during the call; I don't think it was unreasonable for AIG to act on Ms L's instruction and stop the payment. I don't think there was anything in the call to put the call handler on notice that Ms L could have been influenced or coerced into stopping the payment. And it seems unlikely that AIG could have discussed the matter with Ms L's bank to check whether or not the account had been subject to fraud, given data protection law. Its responsibility here was to ensure that the claim settlement was safely received into the nominated bank account. So I don't think I could fairly find that AIG ought to have paid the settlement to Ms L's account despite her instruction to stop the payment unless there was good reason for it not to act on that instruction. But, as I've said, I don't consider there was anything in the call which ought to have put AIG on notice that it shouldn't act on Ms L's instruction.

A short while later, AIG called Ms L again to check where she'd like the payment to be sent. Ms L told AIG to contact Mr X. And AIG checked whether Ms L was happy for the settlement to be sent to Mr X's account. Ms L confirmed that she was.

I've thought about this call very carefully. Ms L wasn't with Mr X during the call – there was no evidence of another adult being present. And even if someone else was there, Ms L doesn't appear to have been prompted by anyone else to consent to the funds being sent to Mr X. I think it was reasonable for AIG to have concluded then that she gave her full agreement for the monies to be paid to Mr X.

It's clear Ms L went through a very difficult and upsetting time trying to recover the monies.

And I can see from the financial order made by the court that the proceeds of these claims were taken into account when the judge made their order. I'd like to reassure the representatives of Ms L's estate that I'm not discounting what they've told us she went through and what she was subject to.

But as I've said, I need to bear in mind what I think AIG did know and ought reasonably to have known at the time it was dealing with Ms L's claim and paying the proceeds. In the round, I don't think there's enough evidence for me to say that it acted unfairly. I don't think the calls it had with Ms L independently of Mr X, or indeed with Mr X, should have raised its suspicions that Ms L could have been subject to financial abuse. On that basis, I think it carried out reasonable and proportionate checks with Ms L about where she wanted the money to be paid to. I find it was reasonably entitled to conclude that Ms L wanted the funds to be paid to Mr X's account and to act on that authority. And I think AIG took care to speak with Ms L in an empathetic and sensitive way, taking her vulnerability into account.

Overall, despite my natural sympathy with Ms L and her family and friends, I don't find that AIG has done anything wrong which it needs to put right.

### **My final decision**

For the reasons I've given above, my final decision is that I'm not directing AIG to take any action.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Ms L to accept or reject my decision before 5 November 2024.

Lisa Barham  
**Ombudsman**