

The complaint

Mr G complains about being over-insured under a life assurance policy he took out with Neilson Financial Services Limited trading as Smart Insurance.

What happened

In November 2014 Mr G took out an index-linked life assurance policy via Neilson and opted to include Children's Cover for his three children, with an initial sum assured of £20,000 per child. By 2024 due to the index-linking, the sum assured for the Children's Cover had risen to £29,000. Prior to taking out his policy, Mr G's wife had taken out the same type of policy on her life, also including Children's Cover, with an initial sum assured of £20,000 per child.

Around the beginning of 2024, Mr G discovered that there was maximum sum assured per child, and between him and his wife they had taken out £40,000 initially, which had risen since, and was higher than the maximum allowed under a claim. He complained as he had been paying for a higher sum assured than he thought would be paid out in the event of a claim.

Neilson said he should have had an initial sum assured of £10,000, which would have meant his current cover should reduce by half of the amount it had risen to, down to £14,500. They offered a refund of the difference between what he'd paid, and what he would have paid if the sum assured had started at £10,000 instead.

Mr G asked if he could get a full refund, which Neilson said they would look into. The following day, before they had replied to him, Mr G cancelled the Children's Cover. Neilson then spoke to the underwriters who agreed to honour the higher sum assured of £29,000 and so they offered to reinstate the Children's Cover at that level, but Mr G refused. Neilson sent Mr G a £50 voucher, for any confusion caused since Mr G had raised his concerns.

Mr G remained unhappy and referred the complaint to our service. An investigator at our service considered the complaint and found that no advice was given at the sale, and Mr G's wife had taken out the cover prior to Mr G. She said it was Mr G's responsibility to check if his wife already had cover.

Mr G said he felt Neilson were at fault and ought to have discovered his wife had cover already for their children and that they would only have paid out on one of the policies if a claim were made. As no agreement could be reached the complaint was passed to me for a decision.

I asked Neilson whether their offer of a partial refund was still available and whether it included interest, and they confirmed it was available and would have included interest had Mr G accepted it. I then explained to Mr G that if I were to find that Neilson had done something wrong in the sale of the policy to him, then it's likely that their offer of a refund would be fair. Mr G didn't agree, and he set out that as far as he understood it, the maximum benefit available was already held by his wife, so he should receive a full refund.

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 remain of the opinion that Neilson's offer is fair and will explain why. When Mr G took out his policy, his wife already had cover for the children, which had a £20,000 sum assured when it was initially taken out. So, if Neilson had – or ought to have - been aware of her cover when they sold Mr G his policy, then he would have been allowed to take out a sum assured of £10,000 per child.

I can see that Mr G thinks the maximum limit refers to the total cover in place at the time of a claim. However based on the evidence I have on file, that's not correct – Neilson has confirmed that the maximum amount refers to the sum assured at the start of the policy. The policy is index-linked so the sum assured increases each year. If the total sum assured was under £30,000 at the start of the policy, but over £30,000 at the time of the claim because of the index-linking, then more than £30,000 could be paid under a claim.

I also note Mr G's comments that he thought the maximum limit was £20,000, but I've seen the terms and conditions of the policy which confirm it was £30,000. So, at the point in time when he took his policy out, his wife hadn't taken out the maximum amount under her policy. This means that when he took out the policy, Mr G was able to take out a sum assured of £10,000 per child on an index-linked basis.

Instead, he paid for double that amount of cover, which, had a claim been made, wouldn't have been fully paid out. It follows that the natural way to ensure Mr G isn't disadvantaged by this, is to refund him the difference between the amount he had paid and the amount he should have paid, had the sum assured under the Children's Cover on his policy, started at £10,000.

Neilson has already offered to refund that amount, plus simple interest at 8% per year from the date each premium was paid, to the date of settlement. I consider that to be a fair amount of interest to reflect the fact Mr G hasn't had the freedom to use the money as he otherwise might have. It is higher than the interest rate he could have received over that time in most current or savings accounts and so is compensatory in its nature.

I appreciate Mr G was confused about the offers made, as the offer of the refund was only given to him verbally, and the offer in writing was different, because of the decision to honour the higher sum assured. I can see Neilson have sent him a £50 voucher which I consider to be fair for any inconvenience caused here.

My final decision

I uphold the complaint. To put things right, Neilson Financial Services Limited trading as Smart Insurance should refund the difference between the premiums Mr G has been paying and the amount he would have paid, had the sum assured been £10,000 at the start. They should also pay him 8% simple interest per year on the refunded amount, from the date each premium was paid to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 23 October 2025.

Katie Haywood
Ombudsman