

The complaint

Mrs C complains that Dignity Funerals Limited won't provide a refund of her pre-paid funeral plan that was transferred to Dignity from another provider.

What happened

Mrs C took out a funeral plan in 2020 with a company I'll call "E". The plan cost around £3,200 and was fully paid for.

When Mrs C bought her plan, the sale and administration of pre-paid funeral plans wasn't subject to compulsory regulation. This changed in July 2022 when it became a requirement for firms in the industry to be regulated by the Financial Conduct Authority. E went into administration and reached an agreement with Dignity that Dignity would offer an alternative plan to E's customers. This provided for E's customers to have their original plans matched, as closely as possible, to a Dignity plan, at no additional cost. This offered continuity of provision when E left the market. Mrs C opted into this transfer in late 2022.

In early 2023, Mrs C was considering cancelling her plan and making other arrangements for her funeral. She asked Dignity how much it would refund to her if she cancelled. Dignity said it hadn't received any money from the administrators of E, so it couldn't offer her a refund or tell her how much she might receive in future. Dignity said it would contact Mrs C once it receives more information from the administrators. When Dignity's position didn't change over the following months, Mrs C became frustrated and raised a complaint.

Dignity didn't change its stance. It said it still hadn't received any money from the administrators of E so it couldn't offer Mrs C a refund or tell her how much she might receive. Dignity warned Mrs C that the administrators are likely to send Dignity only a percentage of what Mrs C paid to E, if anything at all. Dignity said this is outside of its control.

Mrs C didn't think this was fair, so she referred her complaint to the Financial Ombudsman.

Our investigator looked into the complaint and didn't think it should be upheld. He didn't think Dignity had done anything wrong and he didn't think it would be fair for Dignity to refund money it hadn't received.

Mrs C didn't agree with our investigator's view. She asked for an ombudsman to review the matter and make a final decision. So, Mrs C's complaint has been passed to me.

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 upholding the complaint for broadly the same reasons as our investigator. I appreciate this will be unwelcome news for Mrs C and I'm sorry about that. I think Dignity has responded to the complaint fairly and reasonably. I'll explain my reasons, focusing on the points and evidence I consider material to my decision.

When E left the funeral plans market, Mrs C, like all of E's customers, was left in an unfortunate position with, through no fault of her own, limited options. Mrs C opted to have a closely matched plan with Dignity at no additional cost.

However, this meant that Mrs C needed to agree to Dignity's terms and conditions. Dignity's terms allow Mrs C to cancel at any time for a full refund and without having to pay a cancellation fee. But, where a plan was previously held by another provider, as is the case here, the refunded amount will be capped at the amount received by Dignity in relation to the plan. To date, Dignity hasn't received any money from E's administrators in relation to any of E's customers' plans.

I don't think Dignity has acted unfairly in explaining to Mrs C that it can't offer her a refund, or tell her how much she might receive, until it hears back from the administrators of E. I recognise that this leaves Mrs C in an unfortunate position. But I don't think that's Dignity's fault. It wouldn't be fair for me to tell Dignity to refund money that it hasn't received. So, I won't be telling Dignity to do so. Dignity has said it will update Mrs C once it has more information from the administrators of E, and I think that's fair.

I note Mrs C still has funeral provision available from Dignity albeit, I accept, perhaps not as she would prefer.

Once again, I'm sorry to give Mrs C unwelcome news. But I won't be telling Dignity to do anything further in respect of this complaint.

My final decision

For the reasons set out above, I don't uphold Mrs C's complaint about Dignity Funerals Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 11 February 2025.

Chris Woolaway
Ombudsman