

## **The complaint**

Mrs E, via a representative, complains that she was sold an unsuitable reviewable whole of life assurance policy by Zurich Assurance Ltd.

## **What happened**

In August 2001 Mrs E met with the Zurich adviser and was advised to take out a reviewable whole of life policy to protect a further advance of £64,400 she was taking on her mortgage. The policy began on 1 October 2001 with premiums of £39.16 and an initial sum assured of £84,700, which would reduce to £24,795 after ten years. Following a partial surrender of the underlying policy value in 2019, by 2024 the sum assured was £11,855, with an underlying policy value of around £1,700.

After speaking to Mrs E, her representative made a complaint in 2024, saying that the reviewable whole of life policy wasn't suitable for mortgage protection and that alternatives should have been discussed. Zurich said the policy was suitable because it was clear Mrs E wanted cover for her family as well – they noted she wrote to them in 2002 confirming the mortgage had been paid off and initially asking to cancel the policy, but very shortly after she wrote again asking for it to remain in place. Mrs E's representative disagreed and brought the complaint to our service, explaining that Mrs E's children were independent and so there was no need for family protection.

An investigator at our service considered the complaint and found the advice was suitable. He noted that the adviser had discussed term assurance policies with Mrs E as a cheaper option to cover the mortgage, so she was aware of alternatives. Mrs E's representative remained unhappy, primarily because they saw no need for the family protection element. They also alleged that Zurich wouldn't have sold a term assurance policy. The investigator wasn't persuaded to change his mind, so the complaint has been passed to me for a final decision.

## **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've reached the same conclusion as the investigator for largely the same reasons. When considering whether Zurich gave suitable advice to Mrs E, I've considered what they knew about Mrs E's objectives, circumstances, investment experience and attitude to risk. Any information given to Mrs E by Zurich needed to be fair, clear and not misleading, to allow her to make informed decisions.

I can see that in 2001, Mrs E was self-employed with a net monthly income of £573, outgoings of £200, and her business was valued at approximately £40,000. Her plans were to retire in 2002, and she was thinking about selling her flat, worth £180,000, in a few years. She had an interest only mortgage in place for £20,300 and a term of ten years, protected by an endowment policy. In the fact find completed by the adviser, under 'Client requirements'

they noted: “£64,400 mortgage protection to protect further advance applied for”. The adviser also noted Mrs E had a budget of £45 per month to pay for cover.

Following the meeting the adviser issued a letter setting out their recommendations. This again said Mrs E’s objective was mortgage protection and it explained that after ten years the premium would increase if Mrs E wanted to maintain the same sum assured. It also said:

*“we also discussed using term assurance which will be cheaper and provides life cover for a specified period of time. This is not suitable as it is important to have protection for the whole of your life because the life cover will be used to protect your family after the mortgage has been repaid.”*

I note there’s no evidence as to why the policy that then went into place was for a sum assured of £84,700 rather than the same as the further advance.

In my view it’s clear Mrs E’s main objective was mortgage protection. For that type of protection, term assurance is normally sold. I’d expect the policy recommended should match the term of the mortgage, and the sum assured should be the same as the outstanding borrowing. The borrowing here was on an interest only basis with a ten-year term, and though it’s not stated outright, from everything I’ve seen it appears Mrs E’s plan was to repay the mortgage when she sold her home.

The policy sold wouldn’t be reviewed until the tenth anniversary, so there was no risk of the sum assured changing prior to the end of the mortgage term – so it was a sufficient sum assured to cover the borrowing for the whole of its term. So, the main question I need to consider is whether a whole of life, rather than a level term assurance policy, was suitable for Mrs E.

As set out above, the recommendation letter does note that family protection was also discussed as a secondary benefit of this policy. The letters from 2002, when Mrs E wrote to Zurich after she’d paid off her mortgage, are particularly persuasive to me that she wanted the life cover regardless of the mortgage. So, I’m satisfied it’s likely that Mrs E discussed family protection with the adviser, as a secondary objective in 2001.

I can see that Mrs E’s representative has said she had no need for family protection, as she had no financial dependants. However, a lack of financial dependants doesn’t make life assurance unsuitable automatically. It just serves a different purpose to a policy sold where the life assured has financial dependants, where the income of the life assured is relied on and the policy is designed to replace that income to support the dependants financially. Instead, the purpose might be to simply leave the family a lump sum inheritance. In my view that means life assurance could still be suitable for Mrs E despite the fact her children weren’t dependent on her income.

Generally, where multiple needs are identified, I’d expect Zurich to have considered them separately and recommend products that suited each. This is because it’s unlikely that a product designed to protect an amount Mrs E had borrowed, would also provide a suitable sum assured for her family protection needs. When one policy is sold to address multiple needs I consider that it may be reasonable, provided options have been discussed and the customer is able to make an informed decision.

Here, I’m satisfied there was a conversation about term assurance for the mortgage. While the adviser didn’t note down the price of a term assurance product in the recommendation letter, they did clearly say it was cheaper than the whole of life policy. So, Mrs E was able to make an informed decision about taking out a longer-term policy than one that just met her mortgage protection needs.

In my view it's clear Mrs E values the policy and understands the benefits of it – supported by her letters in 2002, which show she was aware the policy could continue to provide a benefit that she wanted. The fact she took a partial surrender from it in 2019, and that it's still in place, also support my finding that Mrs E values this policy.

I recognise that there is an obvious lack of information recorded by the adviser in 2001 about the discussions around family protection and particularly the amount Mrs E wanted to leave her family. However the paperwork is clear about the sum assured of the policy, and the amount it would decrease to after ten years. I also find it telling that they had discussed a budget of £45, but the premiums were under £40. So, I'm satisfied that if Mrs E wanted a higher amount of cover, that was affordable and would have been discussed. Overall, I'm persuaded that Mrs E was happy with the amount of cover this policy would provide for her family protection needs.

In summary, while I understand Mrs E's representative's concerns based on the fact find document alone, the recommendation letter and the 2002 letters convince me that Mrs E wanted cover for her family, as well as mortgage protection. Other options were discussed, and on balance, I'm persuaded that Mrs E was able to make an informed decision about taking out one policy to provide for both of her protection needs. So overall, I'm satisfied Zurich acted fairly and reasonably in selling Mrs E this policy.

### **My final decision**

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 22 August 2025.

Katie Haywood  
**Ombudsman**