

The complaint

Mr J complains that Dignity Funerals Limited hasn't refunded the money he paid to the original provider of his pre-paid funeral plan.

What happened

In summary, in May 2022, Mr J took out a funeral plan with a company I'll call P. The cost of Mr J's plan was just over £5300. He chose to pay in instalments, at just over £43 per month.

When Mr J bought his plan, the sale and administration of pre-paid funeral plans wasn't subject to compulsory regulation. But this changed in July 2022, when it became a requirement for firms in the pre-paid funeral plan industry to be regulated by the Financial Conduct Authority. P originally applied to become regulated, but later withdrew its application and went into administration. Customers were subsequently contacted with details of a transfer arrangement that Dignity was offering, or the option of a partial refund.

Mr J chose to transfer his funeral plan provision to Dignity. But in February 2024, he contacted Dignity requesting to cancel and receive a refund. Dignity refunded Mr J the payments he'd made directly to Dignity. But it explained that it only expected to receive a proportion of the payments Mr J had made to P and that, in line with its terms, it would only refund Mr J the amount of money it received from P.

In September 2024 Mr J chased his outstanding refund and complained. In a letter dated 4 September, a complaints handler, unaware that Mr J had already received a refund of the money he'd paid to Dignity, said he'd receive a refund and a payment of £42.65 relating to interest that had accumulated since he'd requested to cancel. The misinformation came to light when Mr J called Dignity the next morning. The complaints handler referred to the interest payment in the telephone call, but Mr J told her he'd already received some money from Dignity when he first requested to cancel. On investigating further, the complaints handler realised what had happened and the focus of conversation moved to the delay in receiving any refund regarding payments made to P. Dignity's final response letter, dated the same day, didn't uphold Mr J's complaint.

Mr J remained unhappy that not all the money he'd paid towards his plan had been refunded. He came to the Financial Ombudsman Service. During the course of our investigation, Dignity made a goodwill offer to pay Mr J the £42.65 'interest' payment that he'd been told about before the complaints handler understood the full situation.

Our investigator said Dignity was entitled to rely on its terms in only refunding Mr J money he'd paid directly to Dignity and any money it subsequently received from P. She also thought the offer of £42.65, in connection with the wrong information Dignity's complaints handler had provided, was fair.

Mr J asked for an ombudsman to review everything and issue 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'm upholding this complaint in part. However, I recognise my decision may likely still disappoint Mr J and I'm sorry about that. I've set out my reasons below, focusing on the points I think are central to the outcome of this complaint.

When Mr J took up Dignity's offer of a matched plan, he received a welcome letter with Dignity's terms. Under the Cancellation section, there's a specific term about refunds and payments made to previous providers. It says:

Upon receiving your notice of cancellation, we will refund all the money paid within 30 calendar days of us receiving your notification. For the avoidance of doubt, where your plan was previously held by another provider, the refunded sum shall be capped at the amount of money received by us in relation to the plan from your previous provider and any subsequent payments made directly from you to us.

I appreciate this is a frustrating situation for Mr J. But the offer of moving to a Dignity plan gave Mr J continuity of funeral provision at the time of need, when the only other options available were to be without any pre-paid funeral provision and to wait to see what refund might be obtainable via P's administrators, or purchase a replacement plan from another regulated provider at full market cost. But the terms of that transfer allow Dignity to refund not payments made by the customer, but payments received from the previous provider. The terms reflected the commercial agreement made between P and Dignity to offer continuity of provision to P's customers. Having seen the terms, I think Dignity is entitled to rely on them to say it's not in a position to make any refund until funds are received from P.

There's no dispute that Mr J was promptly refunded the payments he'd made to Dignity. He confirmed this to Dignity in a call ten days after his initial request to cancel. So Dignity followed its terms and acted fairly here.

There was clearly some confusion in September 2024, when Mr J chased Dignity about the rest of his refund. Dignity misunderstood things and although an interest payment was offered, it need not have been, as Mr J had received the refund of his Dignity payments in February. Nevertheless, Dignity has said it will honour the £42.65 Mr J was offered, as a goodwill gesture in recognition of the incorrect information its complaints handler provided. Our investigator thought was fair and I agree.

Putting things right

To put things right, Dignity must pay Mr J £42.65.

My final decision

My final decision is that I uphold this complaint in part and direct Dignity Funerals Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 7 March 2025.

Jo Chilvers
Ombudsman