

The complaint

Mrs H complains to Dignity Funerals Limited about the outstanding balance on her pre-paid funeral plan.

Mrs H is represented by a relative, but as Mrs H is the plan holder, I'll refer to her throughout.

What happened

To summarise, in October 2019, Mrs H took out a funeral plan with a company I'll call P. The base price of the plan was £3,545. Mrs H paid a deposit of £500 and chose to pay the remainder in instalments over ten years, at a monthly cost of approximately £37. Paying by instalments attracted an annual charge of 4.7%. This meant Mrs H would pay an additional £1,431 in instalment charges.

When Mrs H bought her 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 (FCA). P originally applied to become regulated, but later withdrew its application and went into administration. Customers were contacted with details of a proposal Dignity was offering, whereby they could obtain a Dignity funeral plan that matched their original plan as closely as possible.

In November 2022, Mrs H opted into the Dignity proposal and was sent a letter enclosing plan documentation and confirming she'd successfully provided consent to enter into a Dignity Funeral Plan. However, the plan papers showed the total cost was nearly £5,000, with a balance outstanding of £3,133.

Mrs H was shocked by this news and complained about the amount she was expected to pay. In its response, Dignity explained how the total cost of Mrs H's plan was determined by P. But Dignity didn't uphold Mrs H's complaint, saying it couldn't comment on the terms and conditions at the time of sale. It also reminded Mrs H that Dignity's offer to P's customers was to provide a plan at no additional cost to the price already agreed with P.

Mrs H remained unhappy, so came to the Financial Ombudsman Service. But our investigator didn't uphold the complaint, so Mrs H asked for an ombudsman to review everything and issue 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'm not upholding this complaint. I appreciate Mrs H and her representative feel very strongly about what's happened and I acknowledge my decision will be

disappointing and unwelcome news. I'll explain my reasons, focusing on the points and evidence I consider material to my decision. So if I don't mention something in particular, it's not because I haven't thought about it. Rather, it doesn't affect the outcome of the complaint.

Unfortunately, when P left the funeral plans market and went into administration, Mrs H, like all P's customers, was put in an unenviable position with, through no fault of her own, very limited options. I can understand Mrs H's view that there was no real choice for customers, as the alternative was to become a creditor of P and risk getting a refund that would be significantly less than she'd paid to date. By opting into Dignity's offer, Mrs H was at least still guaranteed to have her plan honoured at the time of need.

Mrs H was let down by P. And her complaint to Dignity arises from the sale of her plan – in particular, the way in which instalment charges were calculated by P and added to the base price of her plan. These are matters for which P is responsible. But the sale took place before FCA regulation and I can't look at a complaint about P. So the only issue I can look at is whether or not Dignity has acted unreasonably in holding Mrs H to the pricing terms of her original plan.

I've looked at P's letter to Mrs H, from October 2022, entitled, '*Important Update: The Transfer of Your Funeral Plan.*' The letter includes the following statements:

'The great news is that you can enter into a funeral plan contract with Dignity Funerals Limited today, at no additional cost to you.'

'Dignity is offering you the opportunity to enter into a regulated Dignity Funeral Plan that matches the plan you purchased as closely as possible and at no additional cost to the price you agreed with P.'

These terms were reiterated to Mrs H in a proposal letter from Dignity, also dated October 2022. It said:

'Our commitment is that despite the circumstances affecting P, as a funeral plan customer you should still receive the funeral you always wanted when the time comes. We are therefore offering you the opportunity to obtain an FCA-regulated Dignity Funeral Plan that matches the plan you purchased with P as closely as possible, and at no additional cost to the price you agreed to with P.'

'As you are still obliged to make further instalment payments on your plan with P, you will still make those payments, but after you enter into the Dignity Funeral Plan you will make those payments to Dignity and not to P.'

The issue is further emphasised in the terms Mrs H was sent following her opt-in to a Dignity plan. I think the offer letters made it clear that Mrs H wouldn't pay anything additional, but would carry on making her monthly payment, as she had previously agreed with P. So I don't think Dignity has acted unreasonably in holding Mrs H to those opt-in terms.

I appreciate this will likely be cold comfort to Mrs H, but had P remained in the funeral plan market and become regulated, she would be in exactly the same position. I have, however, noted a potential advantage to Mrs H, in that she now has the benefit of the Dignity Promise – meaning that, as long as her payments are up to date, should she die before the end of her payment term, her estate will not be required to pay any outstanding balance for her funeral to be delivered. Under section 7. of P's original terms, relatives would be asked to pay any outstanding balance, so the plan holder's funeral could be arranged.

Mrs H has asked about paying the remainder of her plan in a lump sum. But the balance Mrs H has suggested essentially factors out future instalment charges. For the reasons I've given above, I don't think it's unfair of Dignity to hold to the original payment terms.

Mrs H has also referred to part of P's original terms which say:

'6.3 If You choose to pay by Instalments and You wish to make the Plan fully paid, You can do this by requesting a statement of the balance outstanding under the Plan from Us, and then paying that balance.'

'6.4 You may increase and/or decrease the amount of Your Instalments at any time during the payment term with Our consent. Increasing payments will reduce the Instalment term initially agreed and may reduce the total amount to pay to make Your Plan fully paid. Decreasing payments will increase the Instalment term and may increase the total amount to pay to make Your Plan fully paid.'

Mrs H argues that these terms show that paying the outstanding balance off earlier means she should be pay less. But I disagree. P added instalment charges to the base price of the plan up front, for each year of the repayment term. I can appreciate this may appear excessive. But that relates to the original sale of the plan, which I can't deal with. This sum was then divided by the number of repayments – 120 in Mrs H's case – to produce the monthly payment price.

I don't think 6.3 indicates that any reduction in the overall price would be made. And 6.4 clarifies that any variation to the original agreement was at the discretion of P and the commitment for a variation to impact on the total amount paid was put no higher than a possibility – *'may increase/decrease the total amount to pay to make your plan fully paid.'* Dignity's terms make no reference to such a facility. The payment terms Mrs H accepted when she opted into a Dignity plan were simply that it wouldn't cost her more.

Mrs H has also made reference to consumer credit regulations. But her funeral plan is not a credit agreement. Mrs H wasn't lent money which she then repaid with interest. She bought an unregulated pre-paid funeral plan and paid extra to pay by monthly instalments, rather than up front. So consumer credit legislation and regulation doesn't apply here.

Dignity, like all regulated funeral plan providers, is required to adhere to the standards set out in the FCA's Funeral Plan Conduct of Business (FPCOB) Sourcebook – available online. These standards came into force when the funeral plan industry became FCA-regulated in July 2022. So the guidance related to subsisting plans – those entered into before FCA-regulated – is limited. However, I've noted that in respect of any payment shortfall (FPCOB 2.3) a firm should deal with a customer fairly and, as far as possible, in a manner which is compatible with the customer's best interests rule – that is, to act honestly, fairly and professionally in accordance with the customer's best interests. If Mrs H has concerns about making her payments, I would expect Dignity to deal with her with this guidance in mind.

This is an unfortunate situation and I can understand Mrs H frustrations. I also acknowledge Mrs H has found the experience upsetting and stressful. But overall, I don't think Dignity has acted unreasonably regarding the payment terms of Mrs H's plan. So I'm not going to ask Dignity to do anything more in respect of this complaint.

My final decision

My final decision is that I do not uphold this complaint about Dignity Funerals Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 28 April 2025.

Jo Chilvers
Ombudsman