

The complaint

Miss H complains about the suitability of life and critical illness cover sold to her by Sandringham Financial Partners Limited and says that she was misled into taking out.

What happened

In 2002 Miss H first met the adviser, Mr M, who worked for a different business at the time and in 2019 Mr M began working under the authorisation of Sandringham. In May 2020 Miss H got in touch with Mr M to discuss reducing her outgoings, particularly relating to the insurance policies she held as protection for her mortgages. In June 2020 Mr M advised her to take the following action:

- For her residential mortgage, Miss H had an existing decreasing term assurance policy with life and critical illness cover, with a sum assured of £295,000, a remaining term of 13 years and a monthly premium of £215.92. As Miss H had paid a lump sum off her mortgage the previous year and extended the term, Mr M advised her to cancel that decreasing policy and replace it with a similar, cheaper one with a £191,000 sum assured and a 14-year term to match the current mortgage, with premiums of £142.49.
- For Miss H's buy to let mortgages, she had three existing level term assurance policies providing life and critical illness cover with a total sum assured of £679,000 and a remaining term of 13 years, and premiums totalling £528.42. The buy to let mortgages had terms of 8 years, 12 years and 14 years with a total remaining balance of £293,390. Mr M recommended replacing the three with one policy with a term of 14 years (based on the longest term of the mortgage liability) with monthly premiums of £267.78.

In 2024, having spoken to a different adviser, Miss H raised a complaint about the advice she'd been given. The complaint concerned several financial products, but this decision is just about the life and critical illness cover. Over the years Mr M had sold Miss H several different insurance policies to protect her borrowing, and the new adviser suggested this may indicate churning – though Miss H accepted that Sandringham were only responsible for any advice from 2019 onwards.

Miss H also complained that Mr M had always told her that the insurance policies were required to be in place as a condition of the lending. She remembered asking him if they were all necessary, and raising concerns about her ability to afford the policies, but said he always told her to think of her daughter's needs should anything happen to Miss H. She said she felt this was coercive and manipulative behaviour that caused her stress, and she was pressured into keeping the policies in place.

Sandringham didn't uphold the complaint and relied on the paperwork from 2020 in which the adviser noted her aim was to reduce the outgoings and the advice was suitable for that aim, as the new policies saved her £334.07 per month in total. Miss H remained unhappy and brought the complaint to our service.

An investigator considered the complaint and didn't uphold it, explaining that the policies were affordable and that it was suitable for the adviser to recommend cover for the mortgages. He pointed out that the advice regarding the original mortgages was given by Mr M when he worked for a different firm, so he wouldn't be able to say Sandringham were responsible for anything Mr M told Miss H when he was first selling her mortgages and protection policies.

Miss H remained unhappy and provided evidence of her finances, which she felt showed her disposable income was less than the amount the adviser had recorded. In particular she pointed to her self-return tax bills, which she felt weren't taken into account as expenditure. 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. I consider there are two main questions I need to consider in this decision, the first is whether the policies were suitable for Miss H, and the second whether she was misled into taking them out.

As they were giving advice, Sandringham had certain obligations towards Miss H. This included making suitable recommendations, based on Miss H's circumstances and objectives. The information supplied by Mr M about his recommendations needed to be clear, fair and not misleading, in order for Miss H to make an informed decision about whether to go ahead with the recommendations.

In general, critical illness cover is helpful protection to have in place for any substantial borrowing, especially for mortgages where it can commonly be difficult to repay the lending in full quickly, as property sales can take some time. It allows a customer the benefit of peace of mind that if they do get seriously ill, they'd be able to pay off the mortgage and reduce their outgoings. Serious illness can mean that the insured may not be able to continue working – so their income would drastically decrease and that reduction in expenditure would be welcome.

In Miss H's case, the policies weren't assigned to the mortgage lenders, by which I mean she could have used the money however she wished and didn't have to pay off the borrowing, in the event she did claim. For instance, if Miss H needed to make modifications to her living environment as a result of the illness, or pay for care for herself or her dependent, she could have used the money to do that. The mortgages could have stayed in place with the continued rental income helping to cover the mortgage payments.

Similarly, life cover is generally seen as a good type of protection to have, particularly when someone has dependents who rely on them to provide housing, an inheritance, or to assist with maintaining their standard of living. I accept that for buy to let mortgages, the properties could be sold to pay off the mortgages. However, I note that properties with tenants in them may be more difficult to sell and there's no guarantee that any sale would happen quickly. The life cover would allow the mortgage to be paid off more quickly, giving Miss H's executors and beneficiaries the benefit of time and less pressure to decide what to do with the properties.

So, in my view a recommendation for life and critical illness cover to protect all the borrowing – including for the buy to let properties - was reasonable here. I've gone on to consider

whether the specific policies sold were suitable for the specific mortgages they were designed to protect.

I can see that the repayment mortgage was protected with a decreasing term assurance policy, which is usually the cheapest type of cover, as the sum assured is designed to reduce in line with the outstanding debt. The term and initial sum assured of the policy matched the term and outstanding balance of the mortgage too.

The interest only mortgages, where the debt wouldn't automatically reduce, were protected by level term policies, which is the appropriate type of cover. Having all three mortgages protected by one policy, meant Miss H had slightly too much cover for slightly too long. However, in my view it's clear that Miss H was aware of this at the time, based on the notes recorded of the discussion in the fact find completed by the adviser, and it was clearly explained in the suitability letter, which said:

"I recommend that you take out the protection policy over a period of 14 years because this is the longest term of one of your loans. We could have set up three different policies to cover each loan and this may have been slightly cheaper, but you were happy to have the cover run to the term of the longest mortgage — 14 years. The rationale is that you may re-mortgage and increase the term but unlikely to have the properties after this time."

I note that Miss H disputes the last line of that, as she says she would have sold the property with the 14-year mortgage at the end of the mortgage term, because she planned to keep it as part of her pension planning. However, she hasn't disputed the other properties, and I consider it likely that Miss H may have been considering extending the terms of the shorter mortgages beyond 8 and 12 years. That's especially because I can see that Miss H didn't have a savings vehicle in place to repay those mortgages.

So, if she'd wanted the flexibility of keeping the properties for longer including using them in retirement as income, then the slightly longer term of the cover would have been helpful for the protection of that borrowing. Given it was clear she was aware of the over-insurance, and went ahead regardless, I'm satisfied the single policy (instead of individual policies for each mortgage) was a reasonable recommendation in the circumstances.

Overall, I'm satisfied the appropriate type of cover was recommended for each type of mortgage. I've also considered whether the policies were reasonably affordable for Miss H at the time. I can see that in May 2020, her yearly income from employment was £99,253 per year (£8,271 per month) before tax. Though I don't have details of her exact monthly employment income after tax, I've done a rough calculation using the income tax bands from 2020/21. This shows that Miss H likely would have paid the following tax:

- The personal allowance was £12,500
- The next £37,500 would have been taxed at 20% = £7,500
- The remaining £49,253 would have been taxed at 40% = £19,701.20
- Total tax = £27,201.20
- Total employment income after tax = £72,051.80 per year (£6,004 per month)

In addition, Miss H's income from the buy to let properties was £15,900 per year before property management expenses and I don't have details of the tax she paid on that income – or the exact details of how much of her personal allowance was reduced by earning over £100,000. However, I still consider it likely that her income would have been around the £6,000 point, even if 40% income tax was payable on the whole of the rental income and accounting for an amount for National Insurance.

Her outgoings were £4,785 before the advice, and £4,450.93 after the advice, which included a payment of £120 per month into savings and would have allowed for around £1,500 in disposable income. I've noted Miss H's points about the information recorded in the 2023 fact find not including all her expenses – but that was three years after the advice in question. Her circumstances changed between 2020 and 2023, and I'd expect an adviser to base their recommendations around affordability on the customer's circumstances at the time of the advice. Based on the information I have and Miss H's circumstances from 2020, I consider the policies to have been affordable for her.

Overall, I find that the recommendation was suitable for Miss H's circumstances and objectives in 2020. I'm also satisfied that the written correspondence from 2020 about these policies was clear, fair and not misleading. I've gone on to consider Miss H's complaint points about what she was told verbally that caused her to agree to the recommendations. She's said that Mr M said she had to have the cover as a condition of the lending, and that he laid out the risks in such a way that Miss H felt manipulated into taking out the policies.

I've first considered whether she was told it was a condition of the lending. Sandringham has confirmed it wasn't a condition, so what I need to decide is whether there is enough evidence to prove, on the balance of probabilities, that Mr M lied to Miss H about this. The 2020 letters don't say that the policies are a necessity for the mortgage, but rather that they were recommended. I've also considered what the mortgage documents would have said about insurance policies.

For many years, the regulator has set out very clear requirements for the content of regulated mortgage illustrations (which are usually contained in a mortgage offer letter). This includes ensuring there is a section called 'Insurance' which must set out details of any insurance which is required as a condition of the lending, which includes buildings insurance and life cover. I haven't seen the mortgage offer from 2019 for Miss H's residential mortgage – but given the rules are so strict, I find it more likely than not that it would have included the relevant insurance section.

I appreciate that the mortgage was arranged around a year before this advice, but it would have been very easy for Miss M to have discovered that it wasn't a condition of the lending, as the mortgage offer would have clearly set that out. So, I find it less likely that Mr M explicitly lied about it being a condition of the mortgage. That's not to say he definitely didn't – but simply that I find it less likely. So, on balance, I find that Miss H wasn't told she had to have the cover in order to secure the mortgages, after the point Mr M was authorised by Sandringham.

Turning to Miss H's other points about the way Mr M talked to her about why she should take out the policies. It's not unusual that during a conversation about life and critical illness cover, an adviser would talk about the reasons protection policies are generally a helpful product to have. In fact, it's something I'd expect the adviser to go through, to ensure their customer understood their financial needs and any identified risks, and the types of products that could meet those needs or mitigate risk. The risk here was whether Miss H or her dependant would need or want a lump sum, if she were to get a critical illness or died.

These conversations can be quite emotive – which reflects the sorts of conversations Miss H remembers having – because the risks essentially force a customer to think about what would happen in worst case scenarios. Conversations about critical illness or death would naturally involve talking about any needs her dependent daughter would have if those events took place. I do appreciate speaking about these areas made Miss H feel concerned and stressed. That can be an unfortunate by product of having these conversations – but it doesn't automatically mean the adviser has done something wrong by pointing out the risks.

In my view, based on Miss H's recollections, Mr M was explaining the risks he saw existed with regards to Miss H's finances – i.e. whether she'd want the mortgages to be repaid if she were critically ill or died - and was recommending ways of addressing those risks. I'm not persuaded it would have been wrong of him to have that conversation or explain what areas Miss H should address, especially as that is part of his role as a financial adviser.

In summary I'm not persuaded that Miss H was misled into taking out the policy and I consider the recommendation was not unsuitable for Miss H in 2020.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 2 January 2026.

Katie Haywood
Ombudsman