

## **The complaint**

Mr E complains that Lifesearch Partners Limited failed to pass on his medical history to his life insurer when he took out two plans through Lifesearch's adviser. This error led to Mr E's life insurer cancelling his policies with it and leaving Mr E without life insurance.

## **What happened**

The background to this complaint is well-known to both parties. So I've set out a summary of what I think are the key events.

In February 2024, one of Lifesearch's advisers called Mr E to discuss life insurance. At the time, Mr E already held a level term assurance policy with an insurer I'll call S. Mr E had taken out the policy with S in 2019, it provided cover of £300,000 and the policy was due to end in March 2039.

During the call, Mr E told the adviser that he'd been diagnosed with supraventricular tachycardia (SVT) in 2020 and that he'd had an ablation procedure in 2022. He also told the adviser that he'd taken beta blockers prior to the surgery.

Lifesearch's adviser recommended that Mr E should take out replacement cover with an insurer I'll call A through two plans – one plan offering £100,000 of cover, which would run until 2041. The second plan also offered £100,000 of cover and was due to end in 2051.

Mr E accepted the adviser's recommendation. The policy with S was lapsed and cover under the two plans with A began. Mr E was sent the policy paperwork, including a copy of the application form which had been sent to A.

Subsequently, in July 2024, Lifesearch got in touch with Mr E because it had found that the adviser had made errors in the way they'd conducted the policy sale. It carried out a further, recorded medical screening with Mr E. While it accepted Mr E had given the adviser correct information about his medical history, it noted that the adviser hadn't accurately passed on this information to A. Instead, the application form referred to Mr E having disclosed palpitations, rather than an SVT or ablation procedure.

Lifesearch contacted A to see if it was still prepared to offer Mr E cover. But, unfortunately, as Mr E had been diagnosed with cancer (which is in remission) after the policies had been set-up, it said it was no longer able to do so.

And Lifesearch's specialist team went on to investigate whether other insurers might be able to offer Mr E life insurance cover. But alternative insurers weren't in a position to offer Mr E immediate cover either. Instead, Lifesearch found that the likely decision for a life assurance application would be a five to 10 year postponement.

Ultimately, after Mr E had asked our service to look into things, Lifesearch offered to pay him £50,000. It said it felt this would potentially offer the protection Mr E had been looking for, taking into account the potential for investment growth up until 2051. It also felt it prevented any complications for Mr E and his family as an alternative to directing it to stand in A's

shoes. And it said the offer took into account the fact that Mr E's family might never need to claim on the policy, as well as the potential for him to find alternative cover in the future should his cancer remain in remission.

Mr E didn't accept Lifesearch's offer. He considered that but for its cold call, he'd have retained the policy with S. If he'd done so, his beneficiaries would have been entitled to a pay-out of £300,000 in the event of his death during the policy term.

Our investigator didn't think £50,000 compensation was enough to reflect the impact of Lifesearch's mistake on Mr E. So he recommended that it should pay Mr E £80,000.

Lifesearch disagreed and maintained its offer of £50,000 was fair and reasonable.

The complaint was passed to me to decide.

I issued a provisional decision on 7 April 2025, which explained the reasons why I thought Lifesearch should pay Mr E total compensation of £52,000. I said:

*'In reaching this provisional decision, I've taken into account relevant considerations such as regulatory rules and principles, industry guidance and the available evidence.*

*Lifesearch accepts that its adviser made serious errors when they sold Mr E the policies with A. It acknowledges that the adviser didn't follow its own guidance and it also accepts that Mr E told the adviser about his diagnosis with SVT; his ablation procedure and the beta-blocker medication. It's clear Lifesearch recognises that Mr E did make an accurate disclosure about his health when he was sold the policy. It accepts too that its adviser didn't pass on this information to A when they completed and submitted Mr E's application form. In my view, if Mr E had been aware of the adviser's failings and the potential impact of those mistakes on him, it's most likely he'd have retained the policy with S.*

*So I think there's no doubt that these errors have had a huge impact on Mr E, given he cancelled his existing policy with S; that his policies with A were cancelled - leaving him uninsured and given he won't be in a position to get immediate life cover, as a result of his cancer diagnosis.*

*This means I need to explore what I believe to be a fair and reasonable way for Lifesearch to put things right. This is a complex situation with a number of factors which I've considered in depth. There simply isn't a perfect solution to this complaint. So I've set out potentially available redress options and my thinking about each of those options below:*

- *In some cases, we may find it fair and reasonable for a broker to set-up a new life policy for a consumer and to cover the cost of that policy for its term – either by paying monthly premiums or by paying a consumer a lump sum to cover the overall cost of that policy.*

*However, in this case, Lifesearch has clearly already considered this option and approached a range of insurers to seek cover for Mr E. It's been unable to find an insurer which will offer Mr E immediate insurance – the likely outcomes to any applications would be a five-to-10-year postponement. This means that Mr E would not only be left uninsured for at least the medium term; he'd have no lump sum for potential investment;*

- *Lifesearch isn't regulated to carry out contracts of insurance. That means it isn't authorised to underwrite insurance policies. So I can't direct it to effectively set-up a new policy for Mr E and underwrite that contract;*

- *In some circumstances, we might think it fair and reasonable for a broker to effectively step into the shoes of an insurer and to pay compensation to the value of a future claim which would have been covered by the policy terms. I've thought about this option carefully. But seems to me there would be real practical difficulties with such a direction.*

*First, there's no guarantee that Mr E's beneficiaries will need to make a life claim, either during the term of his original policy with S or before 2051 when the second of his policies with A was due to end.*

*Secondly, given the potential for mergers and acquisitions in the insurance market, it isn't clear to me that Lifesearch will remain trading or be in a position to cover a potential ongoing liability until 2051. It seems to me that there's a real possibility that if I were to make such a direction, it could prove unenforceable in the future, causing Mr E and his family uncertainty and upset;*

- *I've considered whether it would be fair and reasonable to direct Lifesearch to pay compensation to the value of a life pay-out now – whether under the plan with S, which I think he would have kept – or whether under the policies with A. In the circumstances, I don't think it would. That's because as I've set out above, there is no guarantee that Mr E's beneficiaries will need to make a life claim during the term of either the policy with S – or within the terms of the plans with A. It's possible that the policies would have ended without a claim being made. So I don't think it would be fair or proportionate to tell Lifesearch to compensate Mr E for the full value of any settlement his beneficiaries may have received;*
- *And I've considered whether it would be fair and reasonable to tell Lifesearch to pay Mr E a lump sum compensation payment now. In my view, this option is the most appropriate. That's because, firstly, it gives Mr E and Lifesearch certainty and brings finality to the complaint.*

*I think too that a lump sum award now offers Mr E compensation to reflect the loss of chance of a life insurance payout during the terms of the cancelled policies. This is money Mr E and his family would have access to in the present and provides them with an opportunity to invest that money and achieve growth, should they choose to do so.*

*As I've explained, Lifesearch has offered to pay Mr E a lump sum of £50,000. It's set out a detailed table of calculations which show the projected growth of that sum if it was invested up until 2051. It seems to me that Lifesearch has applied an annual growth rate of around 4% on the capital which I think is a reasonable proxy for the level of capital growth Mr E might hope to achieve on an investment. It's calculated that in 2051, an investment of £50,000 could be worth around £138,600.*

*I appreciate our investigator felt this offer didn't go far enough and that Lifesearch should pay Mr E total compensation of £80,000. I've thought about this carefully. But I'm also mindful that following the initial sale, A sent Mr E a copy of the policy schedule on 19 February 2024, along with a copy of the application form it had been sent by Lifesearch. This application form stated:*

*'Please check you have answered all of the questions personally, honestly and to the best of your knowledge. If you haven't, you risk your insurance being cancelled or risk a future claim being rejected or reduced.'*

*In my view, the application clearly showed that the only disclosure made relating to Mr E's heart was palpitations. I think he had an opportunity to check the application that had been made on his behalf ahead of the policy being set-up and to check it was correct. And I think if Mr E had done so, he'd have been in a position to notify Lifesearch that it hadn't passed on*

*the correct medical history to A. Lifesearch could then either have amended the application and taken out another life plan with A – or potentially, Mr E could have retained/reinstated his policy with S.*

*I've carefully weighed up everything. On the one hand, Lifesearch's offer is a guaranteed payment of £50,000 which Mr E might never have been entitled to, had the policies lapsed without a claim being made. On the other hand, Mr E's family could have been very seriously disadvantaged and an award of £50,000 might only compensate them for around a sixth of their potential losses. The answer therefore must reasonably be somewhere in between. I'm mindful that the potential for investment growth on the award of £50,000 will, in part, significantly offset any financial losses Mr E may have suffered. And, as I've said, I do think responsibility for the mistake does lie in part with both parties.*

*So, taking all of this into account, I currently think that Lifesearch's offer to pay Mr E £50,000 is a fair, reasonable and proportionate award to reflect the loss of chance of a life assurance pay-out its mistakes caused him.*

*That isn't the end of the matter, though, I've also considered the fact that Lifesearch's actions here have caused Mr E substantial personal distress and inconvenience. Mr E took out life assurance to protect his family in the event of his death during the policy term. His peace of mind was clearly important to him. He had a significant level of cover available through S to protect his family before he went ahead with Lifesearch's recommendation. Not only have Lifesearch's errors led to Mr E now having no life cover at all, it's come at a time when Mr E is suffering from a very serious illness and is vulnerable. It's also a time when holding life cover was likely even more important to him. And so I think Lifesearch should also pay an additional £2000 compensation to reflect the trouble, upset and frustration its actions have caused Mr E at an already very difficult time for him and his family.'*

I asked both parties to send me any further evidence or comments they wanted me to consider.

Lifesearch accepted my provisional findings.

Mr E told us, in brief, that he understood my provisional decision, but he still had the same concerns he'd had previously and about the unknown. He also told us that he didn't think the £2000 compensation I'd proposed for his personal distress and inconvenience reflected what he'd been through at the time.

### **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 still think the fair and reasonable outcome to this complaint is for Lifesearch to pay Mr E total compensation of £52,000 for the same reasons I gave in my provisional decision. I'll go on to address Mr E's further concerns.

It's clear that understandably, Mr E has real concerns about his health and about the future. It's also clear that ensuring his family was financially protected in the event of his death was very important to him. I do sympathise with his position and I'm sorry to hear about all Mr E has been through.

But I do need to make an award which I think is fair and reasonable to both parties and which I think is likely to best reflect the loss of chance of a pay-out under Mr E's old policies with S or his existing policies with A. It remains the case that it's possible Mr E will receive a

pay-out he would never have been entitled to had his policies lapsed. Equally, Mr E's family could suffer potentially significant losses as a result of Lifesearch's mistake.

On balance though and taking into account the fact I think both parties made mistakes during the application process, I still think a lump sum payment of £50,000 is a fair and reasonable award to reflect Mr E's loss of chance of a life assurance pay-out as a result of Lifesearch's mistake. And I still think the potential growth on the lump sum payment - should Mr E choose to invest it - will go some way to offsetting any overall financial loss he may have suffered.

I appreciate Mr E doesn't think the compensation of £2000 I planned to direct Lifesearch to pay to reflect his personal distress and inconvenience went far enough. I've considered this carefully. As I've said, it's clear that this matter has had a real impact on Mr E and I don't want to downplay the effect of Lifesearch's errors on Mr E's peace of mind at an already very difficult time for him. But our compensation awards aren't intended to fine or punish the businesses we cover. And I do need to take into account the circumstances of the complaint as a whole, which includes the point that Mr E didn't let Lifesearch know there were problems with the policy paperwork ahead of the policy beginning. So I still think an award of £2000 compensation is a fair, reasonable and proportionate award to reflect the substantial distress and inconvenience I think Lifesearch's mistakes had on Mr E.

### **Putting things right**

I direct Lifesearch to pay Mr E total compensation of £52,000. Lifesearch must pay the compensation within 28 days of the date on which we tell it Mr E accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% simple a year.

### **My final decision**

For the reasons I've given above and in my provisional decision, my final decision is that I uphold this complaint and I direct Lifesearch Partners Limited to put things right as I've outlined above.

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

Lisa Barham  
**Ombudsman**