

## The complaint

Mr A complains that Scottish Friendly Assurance Society Limited (Scottish Friendly) treated him unfairly when it cancelled his life and critical illness assurance policy.

## What happened

The background to this complaint is well known to all parties so I'll just give a broad overview here.

In 2016 Mr A bought a life and critical illness assurance policy on-line with Scottish Friendly.

Scottish Friendly sent Mr A all the key documents relating to the sale of the policy in November 2016 and confirmed the first premium would be taken in December 2016. One of the documents Mr A was sent detailed the bank account that the premiums would be taken from. This document gave the name of the bank account holder as Mr A, but the actual name of the account was in a different name that Mr A uses and was joint with his partner.

The policy was inceptioned, and premiums were successfully taken every month until early 2024.

In January 2024, Mr A contacted Scottish Friendly as he wanted to update his payment details. When he made this request his details didn't match any customer that Scottish Friendly held on its records and it didn't request any further information from Mr A to query the discrepancy.

Mr A's premium collection then failed in February 2024 as Mr A's bank had cancelled his existing direct debit mandate, so Scottish Friendly wrote and asked him to complete a new one.

On 19 February 2024, Mr A sent Scottish Friendly a new mandate from a bank account in the name of his partner who wasn't named on the policy. As a condition of the policy was that the premiums had to be paid from a bank account in the name of the policy holder, Scottish Friendly didn't process this mandate. But it didn't inform Mr A of the issue and next contacted Mr A on 2 April 2024 to tell him his policy had lapsed as a second monthly premium hadn't been paid.

On 8 April 2024, Mr A contacted Scottish Friendly to discuss the issues with the direct debit mandate. The call agent Mr A spoke to said his query would be referred to the customer services team who would contact Mr A in a few days' time with an update. But Mr A didn't receive the follow up call that had been indicated.

Scottish Friendly had concerns about Mr A's identity so, following discussion with its compliance department, it sent a letter to Mr A explaining that it was unable to set up a direct debit as the name on the mandate didn't match the name of the policy holder.

This letter was sent to Mr A on the 16 April 2024, but, on 15 April 2024, Mr A had again spoken to Scottish Friendly's Customer Contact Centre. During this call, Scottish Friendly indicated to Mr A that it might be possible to set up a direct debit for the policy from his partner's account. Following the call, it sent him an email asking for bank details and identification for Mr A's partner.

Mr A sent Scottish Friendly a completed direct debit form from his partner's bank account and identification for his partner. Mr A also sent Scottish Friendly identification for himself and a policy revival form as he was very keen to keep the policy active.

On 19 April 2024, Mr A again contacted Scottish Friendly to discuss his policy. The call handler he spoke to wasn't able to explain the current situation but said Mr A would receive an email within 3 working days with an update.

Mr A didn't receive any update so, on 2 May 2024, he complained to Scottish Friendly. He said he hadn't had any clear update on the status of his policy or how to resolve the issue and was worried that he was left without any life cover. Mr A felt that, as a customer of seven years, he had been treated poorly by Scottish Friendly.

Scottish Friendly provided its response on 30 May 2024. It explained that the direct debit to make the premium payments could only be in the name of the policy holder, which was the source of the problem, so, it hadn't done anything wrong by not setting up the direct debit from the account Mr A provided which was in his partner's name. But it agreed it had given poor service by providing inconsistent information and apologised.

Mr A wasn't happy with this response so brought the complaint to this Service.

Our Investigator considered all the evidence available and thought Scottish Friendly were within its rights to reject Mr A's new direct debit mandate as it was from an account in a different name to the policy holder. And this is despite Scottish Friendly having taken Mr A's premiums for over seven years from an account not in the name of the policy holder. But she did think that Scottish Friendly should pay Mr A £100 for the trouble and upset Scottish Friendly caused him through delayed and inconsistent communication.

Scottish Friendly didn't accept this opinion. It said that while it acknowledged poor communication, it felt it had grounds for caution which caused the delay. And so, an apology and explanation to Mr A was a fair resolution.

Mr A also didn't accept our Investigator's opinion. He said the trouble and upset caused by the policy cancellation and poor communication hadn't been fully acknowledged. And he felt that given premiums hadn't been paid from an account in his name, if he'd died during that period Scottish Friendly would have been unlikely to pay any claim.

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.

I've first considered if Scottish Friendly were within its rights to have cancelled the policy and having looked at the evidence available I think it was.

The terms and conditions of the policy are clear that premium payments can only be made from a bank account in the same name as the policy holder.

When Mr A notified Scottish Friendly that he wanted to change his current direct debit arrangements he submitted mandates on a bank account in the name of his partner and so, as this wasn't in the name of the policy holder, I don't think it was unfair for Scottish Friendly to reject his.

Mr A has said this is unfair as Scottish Friendly accepted premium payments for over seven years in the name of an account which was not the policy holder.

A particular aspect of this complaint is that Mr A uses two names. The bank account he had historically used was in his other name, joint with his partner. So, I can understand why Mr A might have assumed that premium payments could be made from accounts with names which don't specifically include the name he used on the policy, Mr A.

But I've seen the original sales documents of the original sale in 2016, and it states the name of the account to be used was in the name of Mr A.

In 2016 there was no requirement for Scottish Friendly to cross check a customer's bank account name against their bank account number. So, given Mr A told Scottish Friendly the name of the bank account paying the premiums was the same as the policy holder, and there was no requirement for it to cross check the details with the bank, I don't think it did anything wrong by accepting the premiums in good faith, despite this being against the terms and conditions of the policy.

From the evidence I've seen, Scottish Friendly insisted on the correct payment method, according to the terms and conditions of the policy, at the first point it was made aware of the discrepancy, which was when Mr A tried to change the bank account used to make the premium payments. And I think it was within its rights to insist the terms and conditions of payment method be applied and that payment be made from an account in Mr A's name.

During the course of this complaint, Mr A has queried if, given premium payments were being made outside of the terms and conditions of the policy, Scottish Friendly would have accepted a claim in the event of his death.

Scottish Friendly have said that as it took the premium payments in good faith it would have accepted any claim during the period payments were being made.

I can't comment on what may or may not have happened, but I have no reason or seen any evidence to suggest this wouldn't have been the case.

But while I don't think Scottish Friendly did anything wrong when it didn't accept a direct debit mandate for premiums from a bank account not in Mr A's name, I do think it made errors when it dealt with Mr A's unsuccessful request to change the direct debit details on his policy which led to its cancellation.

I'm pleased to see Scottish Friendly acknowledged these errors and apologised to Mr A, but I think it should do more.

Our Investigator thought. in addition to its apology, Scottish Friendly should pay Mr A £100 for the trouble and upset caused and I agree with this for broadly the same reasons.

The guidance at this Service describes an award of £100 as suitable where a business has made repeated small errors or a larger single mistake requiring a reasonable effort to sort out.

In this complaint Scottish Friendly didn't respond to Mr A's initial request to change his bank details in January 2024. It then failed to explain to Mr A that the direct debit mandate he sent it in February, following the failure to collect his premium, wasn't valid. Mr A wasn't informed until after his policy had lapsed and when he rang to query this in early April 2024, Scottish Friendly didn't call him back as it said it would which caused Mr A to contact it again. When he did call, he was given incorrect information as to how to resolve the issue which included him being asked to submit identification for his partner from whose bank account Mr A was trying to set the direct debit up.

Mr A did receive a letter in mid-April which clearly explained what the issue was and what would be needed to resolve it, but I think the pattern and number of errors up to this point put Mr A to unnecessary inconvenience.

In summary I think the errors made by Scottish Friendly and the effort Mr A was put to establish what was happening broadly fits the definition of £100 being a suitable resolution. So, I think in addition to the apology it's already made, Scottish Friendly should pay Mr A £100.

In its response Scottish Friendly have said it had concerns over the customer's identity when the initial request to change the premium payment method was made. And it was this caution which was behind the delays in communicating with Mr A.

I can understand Scottish Friendly's concerns. When Mr A made his initial requests, he did so using his other name which was also embedded in the email address he used. Given this name wasn't associated with the policy I think Scottish Friendly were right to exercise caution.

That said, I think Scottish Friendly could have done more to effectively communicate to Mr A what the nature of the problem was and what he would need to do to avoid the cancellation of the policy in the two-month period between the initial query and the policy being cancelled. I also think the inconsistent information he was given when Scottish Friendly asked him to provide identification for his partner, when he called on 15 April 2024, was avoidable and clearly caused Mr A unnecessary inconvenience and confusion.

I appreciate Mr A could have helped his situation by opening a bank account in his name and providing these details to Scottish Friendly when it was made clear to him what was needed, but I don't think this excuses the errors made earlier in the process which put Mr A to unnecessary inconvenience. So, after careful consideration of the points Scottish Friendly have made, I still think a payment of £100 is fair.

Finally, Mr A has said that he would like the policy to be reinstated.

Scottish Friendly have said that it is not prepared to consider this because of the length of time since the last premium payment was made and Mr A's unwillingness to provide a suitable bank account from which the premiums could be taken. After careful consideration I think this is fair.

Mr A was told in a letter sent to him on 16 April 2024 and again on 30 May 2024 that payment could only be taken from a bank account in the name of the policy holder. I understand that, as he uses two names, and he'd paid premiums from an account not in the name of Mr A for over seven years, he would want to discuss this requirement in more detail.

But the solution to the reinstatement of the policy was available if Mr A had simply opened a bank account in that name and provided the details to Scottish Friendly. As he chose not to do that and the terms and conditions of the account were clear, I don't think I can reasonably say Scottish Friendly should reinstate the policy.

In summary, I think Scottish Friendly were within its rights to cancel Mr A's policy and not reinstate it, but I do think it made errors when dealing with Mr A's initial request to change payment method which put him to unnecessary inconvenience. And so, I think it should pay him £100 for the trouble and upset caused.

### **My final decision**

For the reasons stated above I uphold this complaint.  
Scottish Friendly Assurance Society Limited should pay Mr A compensation of £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 16 October 2025.

Ben Castell  
**Ombudsman**