

The complaint

Ms C has complained that Legal & General Partnership Services Limited (Legal & General) sold her a Mortgage Term Assurance with Critical Illness Cover which was unsuitable for her needs.

What happened

In April 2010 Ms C took out a mortgage for £90,000 over a term of 25 years. At the same time, she was recommended a level term assurance policy providing life and critical illness cover matching that amount and term.

In 2025 Ms C complained to Legal & General that the policy was mis-sold, she had said the premiums she was paying were higher than what they should have been when compared to family and friends. She also said that she was pressured into accepting the policy, it was not explained how it would work and that it was not right for her circumstances.

Legal & General responded to the complaint on 26 June 2025, they determined that Ms C would have needed life cover but should have recommended a decreasing term assurance policy which would have been cheaper.

As a resolution to the complaint Legal & General offered to pay the difference in premiums Ms C had paid. They calculated the difference between a level term and decreasing term policy to be £9.96 per month and offered to pay interest on the difference in premiums at 8% simple per annum. As a condition of accepting the offer Ms C's policy would transfer to a decreasing term assurance policy affecting the assured amount.

The redress offered to Ms C was £2,698.66.

Ms C was not happy with the offer and was concerned that she must switch to a policy with a lower assured amount. She requested that the refund be processed without the need for her cover to reduce. Legal & General didn't agree with offering reduced premiums and maintaining the level of cover.

Ms C remained unhappy and referred the complaint to our service.

One of our Investigators reviewed the complaint and felt the level term policy was mis-sold and agreed that the offer to refund the difference in premiums was fair. They also considered whether it was reasonable that, as a result of the level term cover being mis-sold, Ms C's policy should change to a decreasing term policy. They felt it wasn't unreasonable for Ms C to receive a lower level of cover to reflect the level of premiums she should have paid and as such did not feel Legal & General should maintain the higher sum assured whilst receiving a lower premium.

Overall, they agreed Legal & General's offer put Ms C in the position she would have been had they sold the correct policy.

Ms C did not agree with our Investigator's assessment and explained that she wanted a full refund of the excess premiums she had paid, compensation for the personal impact of being mis-sold a policy and the retention of higher level of cover she had been paying for.

As Ms C did not agree with the outcome her complaint was passed to me to consider.

What I've decided – and why

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Having done so, I've reached the same conclusion as our Investigator. And for largely the same reasons. I know Ms C feels strongly about this complaint and this will come as a disappointment to her, so I'll explain why.

I've read and considered the whole file. But I'll concentrate my comments on what I think is relevant. If I don't mention any specific point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is the right outcome.

Legal & General have already agreed with Ms C that her policy was mis-sold. I have considered the sale of the policy and agree it wasn't the appropriate policy for her circumstances at the time. But what I see as the outstanding issue of this complaint is whether the redress offered by Legal & General is fair.

At the time of sale Ms C had recently taken out a mortgage for £90,000 and had one dependent. I've not seen any evidence to suggest Ms C had existing life cover in place or that she had alternative provisions for the loan amount to be covered in the event of her death or suffering a critical illness. As such I agree that a form of protection to cover the mortgage amount was appropriate for her needs.

The mortgage Ms C took out was on a repayment basis which meant she would be repaying the capital and interest on the mortgage at the same time. It stands to reason that this repayment method would allow the amount of capital she owed to reduce over time. As the capital amount would be reducing year on year, I'm not persuaded that a level term policy, where the cover does not reduce, was needed. A decreasing term policy would reduce cover in line with her mortgage but in the event a claim was made would still pay the outstanding balance on the mortgage.

As I've said above Ms C did need cover so I'm satisfied that had she not been sold a level term policy she would have taken out a decreasing term policy. Legal & General have shown that the difference in premiums between a level term and decreasing term was £9.96 per month. This means she has been overpaying this amount since the policy started.

Legal & General have offered to switch Ms C's policy to a decreasing term assurance and to refund the difference in premium she had been paying to what she should have paid. The difference worked out as £1,812.72, and they added 8% gross interest per annum onto that amount.

The offer is in line with our service's approach and one I would have expected them to make.

I have then gone on to consider whether it was fair for Legal & General to switch Ms C's cover to a decreasing term policy and reduce the existing level of cover accordingly as a condition of accepting their offer.

It is my opinion that Ms C should have been paying a lower premium for a reducing level of cover had the original protection not been mis-sold. It would not be reasonable or fair for Legal & General to maintain a higher level of cover whilst receiving a lower premium. This would put Ms C in a position of betterment which is not what our service is here to do. Our role is to put her in the position she would have been in had the event being complained about not taken place.

Ms C has also asked to be compensated for having a policy mis-sold to her in the first instance. It is my opinion that the mis-selling itself does not warrant a distress and inconvenience award.

It is my understanding that Ms C has not yet accepted Legal & General's offer to resolve the complaint. I direct Legal & General to refund the premiums and recalculate the interest owed on the £1,812.72 until the date of settlement, on the basis the Ms C accepts her policy will switch to a decreasing term policy.

As I have said above, I do not consider it unreasonable for Legal & General to change Ms C's policy and as such, have not directed them to remove this provision as a condition of their offer.

It is now for Ms C to decide whether she would like to accept the offer made by Legal & General

Putting things right

If Legal and General has not already refunded the premiums plus interest, I direct them to pay Ms C £1,812.72 plus 8% interest simple per annum until the date of settlement. This is on the condition that if Ms C does accept the offer, the policy will switch to a decreasing term assurance and the sum assured will reduce.

My final decision

Legal & General has already made a conditional offer to refund premiums, plus 8% interest per annum to settle the complaint and I think this offer is fair in all the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 20 November 2025.

Rob Croucher
Ombudsman