

The complaint

Mrs K is unhappy that Zurich Assurance Ltd (Zurich) cancelled her life insurance policy.

What happened

Mrs K took out a life insurance policy with Zurich for a sum insured of £200,000 and monthly premium of £16.67 over a 50-year term. The policy began on 28 June 2024, with payments due by the 28th of each month. On page 34 of the policy terms and conditions it states:

“10.4 If you don’t pay your premium

*If you don’t pay a **premium** on the **premium collection date**, we’ll write to remind you and tell you the next steps to ensure your cover continues.*

*If you don’t pay a **premium** within two months of the **premium due date**, the policy will end, and we’ll stop providing you with cover. If your **premiums** are paid by a third party, it’s your responsibility to ensure they’re paid on time.*

We won’t reinstate a policy which has ended – if you still need cover you’ll need to apply for a new policy.”

On 29 January 2025 Zurich wrote to Mrs K, they said that her policy would be cancelled if she did not make a payment of £33.34 by 25 February 2026. Mrs K says she called Zurich and was reassured that this letter had been sent to her in error. She has provided a screen shot of her call to Zurich’s helpline on 29 January 2025.

On 30 January 2025 Mrs K received an email from Zurich which set out:

“We sent you an email/letter in error saying there’s an underpaid amount on a Zurich policy.

We’re sorry if you received one of these messages. We want to reassure you that the cover remains in place, and there is no need to contact us. If we need you to do anything, we’ll get in touch again to let you know.”

Zurich have confirmed they were having system issues at the time with incorrect correspondence being issued about underpayments. On 28 February 2025 Zurich wrote to Mrs K to let her know her policy had been cancelled. She called them on 3 March 2025 and explained she had been told to ignore previous correspondence. She asked Zurich to reinstate her policy. Zurich refused and so she referred a complaint.

On 17 March 2025 Zurich issued their final response letter, they didn’t uphold Mrs K’s complaint. In summary they said:

- The payment due on 2 January 2025 had been unsuccessful
- The payment was reattempted on 21 January 2025 and was again unsuccessful. And so, Mrs K’s direct debit was cancelled.

- Zurich requested payment to bring the life insurance up to date by 25 February 2025 and warned Mrs K that otherwise the policy would be cancelled.
- As no payment was received the policy was cancelled on 28 February 2025. Which was in line with the terms and conditions of Mrs K's policy.
- Mrs K had told them that she called on 29 January and was advised to ignore the correspondence about a missed payment. But they'd not been able to trace any call.
- As the policy had been correctly cancelled they wouldn't reinstate it.

Unhappy with the outcome Mrs K referred her complaint to this service. An investigator considered it, they upheld it. They said that Zurich sent Mrs K conflicting information, and should she bring the premiums up to date Zurich should reinstate the policy.

Zurich didn't agree, they said, in summary, Mrs K should have noticed that she had not paid for her insurance in January – and then in February. And she could have confirmed the status of her policy by checking online. She had sufficient time to act to avoid the cancellation. They offered £100 compensation for the confusing information they provided but didn't agree the policy should be reinstated.

Mrs K didn't accept the compensation – she said she wanted the policy to be reinstated. As no agreement could be reached the complaint was passed for an ombudsman to consider it.

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 am upholding Mrs K's complaint, I will go on to explain why in detail below. Whilst I have considered everything that has been provided to this service, I don't intend on commenting on each item. Instead, I will focus on what I have determined are the key aspects of the complaint.

When considering what's fair and reasonable in the circumstances, I need to take account of relevant law and regulations, Regulator's rules, guidance and standards and codes of practice, and what I consider to have been good industry practice at the time. And where the evidence is incomplete, inconclusive or contradictory, I reach my conclusions on the balance of probabilities – that is, what I think is more likely than not to have happened based on the available evidence and the wider surrounding circumstances.

Zurich have said they followed the terms and conditions when cancelling Mrs K's policy – and I agree. However, I must consider if doing so was fair and reasonable considering the other information they provided to Mrs K during the time.

Mrs K received a letter which said she had to make a payment to bring her policy up to date on 29 January 2025. She has provided a screenshot of a call she made to Zurich's helpline on 29 January 2025. Zurich say they have no record of this call, and think that Mrs K may not have been connected to one of their advisers. Mrs K said that she spoke to Zurich and received reassurances that she could ignore their letter. The call took place on the same day she received their letter – and she recalled this call in her first contact with Zurich following receipt of the cancellation letter. In addition, at the time Zurich say they had many calls and were having a system issue which meant consumers were receiving incorrect letters about underpayments. Based on everything I think it most likely that Mrs K did call Zurich and speak to someone. And I can understand how she may have been provided with incorrect information as incorrect letters were being issued to consumers at the time. I have no reason to disbelieve Mrs K's recollections. The next day – on 30 January 2025 Mrs K received reassurance that she didn't need to take any action via email too.

Zurich have said that Mrs K could have taken action to stop her policy from being cancelled. She did act – she called Zurich and then received an email from them. The email explained that Mrs K didn't need to contact Zurich – that they would be in touch with her should she need to do anything. So, Mrs K was unaware she needed to take any further action and was actively told by Zurich not to worry. The next contact Mrs K had with Zurich was the cancellation letter – after the policy had already been cancelled and so there was no opportunity for her to have taken any further action.

It is for this reason that I think it fair and reasonable to direct Zurich to reinstate Mrs K's policy on the same terms as it was before the cancellation. Once Mrs K has brought the premiums up to date. Zurich have also offered £100 compensation to Mrs K, which I think is fair and reasonable considering the impact receiving the cancellation letter has had on her.

Putting things right

When awarding redress I am looking to place Mrs K back into as close to the position she would have been in but for Zurich's error.

Mrs K acted on the letter she received to make a payment to Zurich, but was reassured by them on the phone and via email that they had sent the letter in error. So, she didn't know she needed to do anything more to stop her policy from being cancelled. Had Mrs K known she needed to make a payment I think she would have done so. I say that because she called Zurich quickly after receipt of the letters they sent to her each time. As such I direct Zurich to:

- Should Mrs K bring her premiums up to date, Zurich must reinstate Mrs K's policy as if it had never been cancelled, under the same terms and conditions.
- No fees should be charged for the reinstatement of the policy.
- Pay Mrs K £100 compensation.

My final decision

I uphold Mrs K's complaint and direct Zurich Assurance Ltd to pay redress as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 25 March 2026.

Cassie Lauder
Ombudsman