

The complaint

Mr and Mrs L complain of errors by Zurich Assurance Ltd ("Zurich") in the administration of their mortgage protection policy. They say these led them to pay premiums they wouldn't have paid otherwise. They seek redress for this and for distress arising from Zurich's errors.

Errors alleged include accepting premiums knowing Mrs L's insolvency practitioner had an interest in the policy - and not telling Mr and Mrs L what this interest meant for Mrs L's share of the proceeds if their policy claim was successful - and wrongly advising that they could put the policy into trust. Mr and Mrs L have also said the policy was mis-sold given all this.

What happened

Mr and Mrs L took a Zurich joint life mortgage protection policy with life and critical illness cover in 2021 based on advice from a financial adviser and not from Zurich. The monthly premium was over £169 with cover of over £150,000 to start with.

The insolvency practitioner told Zurich in January 2023 that Mrs L had suffered insolvency (sequestration) in November 2022, and it asked Zurich for details of the policy.

Mr and Mrs L made a claim for Mr L under the policy's critical illness cover in June 2024. Zurich told Mr and Mrs L that if the claim succeeded it would pay Mrs L's 50% share to her insolvency practitioner unless it confirmed to Zurich that it didn't have an interest in the policy. Mrs L says Zurich shouldn't have continued to accept premiums from her given that she wouldn't have been able to receive proceeds she might have been due from the claim.

The critical illness claim was rejected by Zurich. Zurich says it responded in September 2024 to a complaint by Mr and Mrs L about this rejection and that this was a separate complaint and so does not form part of this complaint. But I understand the rejection didn't affect Mr and Mrs L's entitlement to carry on with the policy and the cover it provided.

In an October 2024 phone call with Zurich, Mrs L asked whether she could put the policy into trust. Zurich told her it couldn't give advice on the type of trust to use, but it could send her two trust forms and, ideally, she should use the one that was amendable rather than the one that wasn't. Mrs L referred in the call to a pending court case and to a bankruptcy which she said would be over after two years but could impact if anything happened in the meantime. In particular she said she'd been told that if the policy had paid their claim "*we wouldn't have got it because of the bankruptcy*" which was why she'd been advised by a lawyer to put the policy in trust. She said the broker who sold the policy and was aware of her situation had told her the policy couldn't be put in trust. Zurich told Mrs L on the phone that the policy could be put in trust and that it would send out two trust forms by email to her.

The call continued and Mrs L asked if there was anyone who *couldn't* put the policy in trust or any circumstances that would prevent this "*that you know of off the top of your head*". Zurich (the Zurich call handler) said "*not that I'm aware of*" and said certain policies couldn't be put in trust but Mrs L's was fine to put in trust. Mrs L said she couldn't believe this and she'd been trying to put the policy into trust "*since June*". Zurich then said: "*I don't know anything about bankruptcy and things like that but as far as I'm aware, you can put your policy in trust*".

The call continued and Mrs L said the policy had been taken for a mortgage and she didn't see how if something happened someone could take half. She said she was concerned her broker had been telling her for months, and she had emails confirming, that her policy can't go into trust and she needs to just continue paying it. She said why would she keep paying something she could never access, she said she'd been mis-sold and it was expensive.

Mrs L said all this was why she needed something from Zurich to take to the ombudsman because "*why am I paying this if it can't go into trust?*". But she pointed out that Zurich (the call handler) was now telling her the policy *could* go into trust. Zurich (the call handler) said that as far as it was aware Mrs L's policy did allow trusts and did allow the policy to be put into trust "*...the only thing I'm not sure about like I said is the bankruptcy part*". It then offered to send out the forms for her to look at, with some information to explain them.

Mrs L said she'd been told Zurich would pay but she wouldn't get it. She then said perhaps she needed to consult a lawyer and "*if you send out the forms then I'll obviously need to go to a lawyer, and then make sure*".

Mrs L also said she was going to send everything to the ombudsman to ask why she was paying for the policy and why a third party had been asked "*do you want it*" and nobody had contacted her to say "*you can't get that*".

Mrs L also told Zurich she had a letter from Zurich telling her if her claim was successful the money wouldn't go to her it would go direct to the bankruptcy. She asked if the call handler could access this - "*Can you not see where Zurich are saying I would not get it, it would go direct to them*" - and she said she'd had to sign to say her 50% would go to the bank. The call handler couldn't access the letter Mrs L was referring to and told Mrs L this.

The call handler could only see a note which said there was a notice in favour of the insolvency practitioner and gave the date of the bankruptcy as nearly two years before. Zurich asked Mrs L whether this meant the two years she had mentioned would be up. It said: "*...after two years, you're nearly up to that now aren't you?*" and "*from November 2024 then that's it, that's over two years so you're clear from it, is that right?*" Mrs L didn't answer this. Zurich also said that as long as the trust form came in after the November 2024 date that was two years from the insolvency date, Mrs L "*would be out of that two year period, so hopefully, then...*" but didn't complete this idea or add to it during the call. It ended the call saying: "*I'll send out the trust forms... pass them on and see where you go from there.*"

On 21 October 2025 Mr and Mrs L told us they had cancelled the life policy. They have said they wouldn't be able to put another policy in place that covered Mr L due to his illness.

Mr and Mrs L have told us if Zurich had told them Mrs L wouldn't receive her share from the policy, they would've stopped it. They have told us Mr L might have got cover earlier that is no longer available now he has had treatment – and they would've looked to get an alternative policy, or got advice on this, although they have told us they didn't do this. They have also told us fears due to Mr L's illness and the issue of him getting alternative cover following his illness, played a part in not cancelling the policy.

Zurich offered Mr and Mrs L £150 as a gesture of goodwill and in light of its service during the call above. Our investigator looked into the complaint but didn't think it should be upheld. He didn't think Zurich needed to do more than it had already offered to do. He said that as the insolvency practitioner held an interest in Mrs L's share of any policy payout, the policy couldn't have been placed in trust and the call handler's error in suggesting otherwise didn't change this. Also he hadn't seen evidence to suggest Mr and Mrs L had attempted to cancel the policy after getting confirmation the trust couldn't be used in the way they had planned.

Mr and Mrs L asked for this to be reviewed. They made a number of points, and I've read them all. These included pointing out that the adviser (or call handler) gave what has been admitted to be wrong information, so Zurich has a duty of care to them. They also say they complained as soon as they discovered Mrs L wouldn't benefit from the policy and that an error had occurred. They say they only carried on paying the policy premiums to keep the policy going because they assumed cancelling it would stop any review or investigation - but the complaint had taken months due to Zurich's processes and Zurich never said anything to suggest they could still pursue a complaint if the policy wasn't active. They also say Mr L was still undergoing medical checkups, which they believed could be relevant. They have told us they could document legal advice about needing a live policy to complain. They have said they sought advice from Citizens Advice Bureau and a local legal advisor to make sure they took the right steps. As noted above, they have since cancelled the policy.

As the complaint remained unresolved, it has been passed to me to decide.

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 arrived at the same conclusion as our investigator and for broadly the same reasons.

Zurich wasn't responsible for the sale of the policy to Mr and Mrs L or for any advice they received in connection with taking it out or continuing to pay for it. Zurich didn't give or offer to give Mr and Mrs L financial advice on whether the policy was suitable for them in their circumstances. Nor did it give or offer to give advice on whether continuing to pay premiums would be beneficial for them. Also, Zurich didn't have any duty to give or offer to give any advice of that kind to Mr and Mrs L. Any complaint they have about advice they received when they were sold the policy would need to be put to the party that sold the policy.

It seems that following Mrs L's insolvency, proceeds not due to Mr L but that had been due to Mrs L would have been paid instead by Zurich to her insolvency practitioner in the first instance. But I don't think this means Zurich was wrong to continue accepting Mr and Mrs L's premiums. Zurich would've paid out the policy proceeds for a successful claim. Also Mr L would still have received any proceeds to which he was entitled, so continuing the policy potentially had benefits for Mr and Mrs L. Also Mrs L's insolvency estate receiving a payment isn't something Zurich ought to have assumed was something Mr and Mrs L wouldn't want or find worthwhile. It was for Mr and Mrs L to cancel the policy if they didn't think its benefits made paying for the policy worthwhile. Zurich couldn't make this judgement - and it wasn't Zurich's role as policy provider to advise Mr and Mrs L on these issues.

Given it was already aware of Mrs L's insolvency, Zurich agrees with Mr and Mrs L that it gave them misleading information on the phone about being able to put the policy in trust. Mrs L was told in the call that the call handler wasn't aware of anything that would stop this. But she was also told in the call that the call handler didn't know anything about insolvency. I've thought about this carefully.

Mr and Mrs L were seeking to use a trust so Mrs L's interest in the policy wouldn't be lost to them by going to Mrs L's insolvency practitioner, which was what Zurich's letter told them would happen unless the insolvency practitioner decided otherwise. So the issue wasn't whether the policy could be put in trust in general terms, but whether Mr and Mrs L could use the trust to deny Mrs L's insolvency practitioner the policy interest it was seeking. Given it was clear the call handler didn't know anything about insolvency and insolvency was the key issue, I don't see that the call could reasonably have been taken to mean that Mr and Mrs L would be able to reclaim Mrs L's interest from the insolvency practitioner by using the trust.

My view is reinforced by the fact Zurich had told Mr and Mrs L in writing its view on how insolvency affected things – in a letter Mr and Mrs L had seen. Also it was plain during the call that the call handler hadn't been able to access that letter when speaking to Mrs L.

I note also Mrs L told the call handler she'd been told by a lawyer to put the policy in trust, and that she would go to a lawyer about the matter after the call. So it seems Mr and Mrs L were going to seek legal advice rather than relying on the Zurich call handler in this matter – which of course was sensible and from what they've said this is in fact what they did. As the call handler's lack of expertise in insolvency was so clear, I'm not persuaded what was said in the call affected what Mr and Mrs L did. I say this bearing in mind Mrs L had a letter from Zurich setting out its view and had consulted others with more knowledge of her own situation and of insolvency. I agree it was unwise of the call handler to speculate in the call on matters outside of their knowledge and expertise, despite the caveats given at the time. But overall, I'm not persuaded anything said in the call was of significance to Mr and Mrs L's decision to continue to pay policy premiums.

I note Mr and Mrs L had been told of the insolvency practitioner's interest in the policy some time before the call and continued to pay for the policy for some time afterwards too. From what they say I understand they made the later payments in case stopping the premiums stopped them pursuing their complaint. But even if that was their only reason for keeping the policy in force – and I reach no concluded view on that - I see no grounds for holding Zurich responsible for that decision. What Mr and Mrs L have said about the advice or guidance they sought from other parties on this issue reinforces my view on this point.

I acknowledge all Mr and Mrs L have said about their situation being distressing. I have sympathy with their situation given all they have told us about Mr L's health and how they came to realise Mrs L's insolvency would impact her entitlement to policy benefits they had been relying on. But I don't see that a fault of Zurich, rather than the naturally distressing nature of the situation, was the cause of this distress. Having considered all Mr and Mrs L have told us, I've also not seen anything to suggest Zurich acted inappropriately in liaising with the insolvency practitioner in relation to her interest in the policy proceeds. Zurich was legally obliged to co-operate with the insolvency practitioner.

So having considered the complaint, I broadly agree with the conclusions expressed by our investigator. Mr and Mrs L have said our investigator was wrong to think Zurich wouldn't be able to cancel the policy without the insolvency practitioner's consent. That may be so, but nothing turns on this. So, in light of all I've said above, I do not uphold the complaint.

I appreciate this is likely to disappoint Mr and Mrs L. I'm grateful to them and to Mrs L in particular for the courteous and prompt responses she has given us throughout. I note that Zurich offered £150 as a gesture of goodwill in light of shortcomings it identified and in its October 2024 phone call. If Mr and Mrs L haven't received this sum and wish to claim it, they should please approach Zurich direct.

My final decision

For the reasons I've given and in light of all I've said above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs L to accept or reject my decision before 19 December 2025.

Richard Sheridan
Ombudsman