

The complaint

Mr and Mrs H complain that they were mis-sold their level term life and critical illness policy by Barclays Bank UK Plc.

What happened

Mr and Mrs H bought a property in 2009, with the aid of a mortgage. To protect that mortgage, they were advised to take out a policy to cover them should they become unable to pay. They consulted Barclays about this and subsequently each bought a level term (LTA) life and critical illness policy providing £144,000 cover.

At the end of 2022, Mrs H began experiencing symptoms which led to diagnosis of a heart condition. She underwent surgery in early 2024, following which she made a critical illness claim.

The claim was declined by the insurer because they concluded that the procedure wasn't covered by the policy. Mrs H made a complaint about the insurer's decision, which has been dealt with separately.

Mr and Mrs H also made a complaint that Barclays had mis-sold their policies. They said they needed to protect a repayment mortgage, so should have been sold a decreasing term policy (DTA), rather than the LTA policies they had. They'd been told that heart conditions were covered. And they said they were told that they wouldn't have to review the cover unless they moved or increased their borrowing and that all heart conditions were covered. Mr and Mrs H said this resulted in them not having the cover that would have provided a cash settlement following Mrs H's operation.

Barclays responded to the complaint, saying there was no evidence Mrs H had been told the policy provided cover for all heart conditions and the adviser wouldn't go into the full exclusions on the policy when selling it. But the insurer would have provided a schedule setting out the cover provided. And they said that, if they wanted to change the cover, Mr and Mrs H would need to cancel their policies and apply for a new one. They said the insurer had told them they had sent a letter in early 2021, asking Mr and Mrs H if they were happy with their cover and inviting them to contact the insurer if they wanted to review it.

Mr and Mrs H weren't satisfied with Barclays' response and brought their complaint to our service. During his investigation, Barclays reviewed the matter again and concluded that it would have been more cost effective for the adviser to have recommended a joint decreasing term policy to protect Mr and Mrs H's mortgage. To address this, they offered Mr and Mrs H a refund of the difference between the premiums they'd paid and the premiums they would have been charged for a joint DTA policy, plus interest net of tax. And they offered a further amount – either as a lump sum or monthly – to fund the difference up to the end of the policy term as well as £150 compensation.

Our investigator thought this was a reasonable offer to resolve the complaint. Mr and Mrs H didn't agree. So the matter's been passed to me to make 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.

Having done that, I agree with our investigator that Barclays' offer is the fairest way to resolve Mr and Mrs H's complaint. I'll explain why, focusing on the points I consider to be the crux of the complaint and the evidence I consider material to my decision. So if I don't mention something in particular, it's not because I haven't thought about it. Rather, it doesn't change the outcome of the complaint.

Our starting point in deciding what a business needs to do to address a complaint is to try and put the customer back in the position they would have been in, had nothing gone wrong.

In this case, the parties agree that the individual LTA policies Barclays sold Mr and Mrs H weren't the most suitable for them and the most cost effective way to provide the cover they needed would have been to sell them a joint DTA policy. Given the passage of time, and Mrs H's health, it's not viable to try and do this by sourcing a replacement policy. But I think Barclay's offer is fair, as it will put Mr and Mrs H in the same financial position as they would have been if they'd been sold a DTA policy in 2009.

Mr and Mrs H aren't happy with this resolution as they say there were other consequences of being sold the LTA policies. They've said the adviser should have explained the policy terms and exclusions. And they said they were told they wouldn't have to review them and have quoted Barclays' letter of November 2024, which says:

"I can confirm you would not have to later review your cover, unless you were to move home or increase your borrowing."

They say that this was the reason they didn't review the policies - whereas, if they'd had a DTA policy, they would have reviewed their cover and would have increased it. This would have given them enhanced critical illness cover on which they could have claimed when Mrs H became ill. I've thought very carefully about this.

In relation to the first point, I don't think it's reasonable to say the adviser should have taken Mr and Mrs H through each individual provision of the policies. As is usual for critical illness policies, they don't cover every possible condition. Rather, they set out what is covered. Mr and Mrs H would have received a copy of those details at the time of sale, so would have been aware of what was covered.

I don't disagree the letter says Mr and Mrs H didn't have to review their cover. That statement isn't wrong. And it doesn't say they couldn't review the cover if they wanted to. Mrs H has submitted she scrupulously reviews other insurance products. She's referred to life changes, such as the birth of her children, that have occurred between when the policy was bought and now, which I think may reasonably trigger a review of this type of policy. And I've noted Barclays have said the insurer wrote to Mr and Mrs H in early 2021 inviting them to undertake such a review. Taking these factors into account, I can't fairly conclude that Barclays are responsible for Mr and Mrs H not reviewing the terms of their LTAs.

And, even if I could say that, I'm not persuaded by the testimony I've read that this necessarily means Mrs H would have had cover for the procedure she underwent in 2024 or that a claim under a newer policy would have been successful.

It's true that, since 2009, the number and variety of conditions covered by critical illness policies has generally increased. But precisely what is covered, and in what circumstances,

varies between providers. And any application for a replacement policy would have included answering medical questionnaires which might have led to cover being declined, or only offered subject to exclusions, or at a cost, which Mr and Mrs H found unacceptable. I simply can't conclude, as they've submitted that, but for what Barclays told them, they would have had a policy in place on which they would have successfully claimed.

Putting things right

As I've said above, I think Barclays' offer to resolve Mr and Mrs H's complaint is fair, because it puts them in the position they would have been in if they'd been sold a joint DTA policy in 2009. I acknowledge this isn't what Mr and Mrs H would like and have indicated to our investigator that the policies are no use. And I recognise that Mrs H's policy didn't cover the particular condition she tried to claim for in 2024.

But – while I sincerely hope it won't prove necessary – the policies do still provide valuable cover should Mr or Mrs H die or be diagnosed with a condition which is covered. So, while it's ultimately a matter for them whether to keep the policies, I think it's fair for Barclays to facilitate them doing this at no greater cost than if they'd been sold a DTA policy in 2009.

If Mr and Mrs H accept their offer, Barclays will need to recalculate the actual amounts to be paid in respect of past and future premium contributions, and any consequential changes to the interest and tax deductible, to reflect the fact that Mr and Mrs H have made further premium payments since the offer was made and the remaining term has reduced.

Finally, I agree with our investigator that £150 is a reasonable amount of compensation for Barclays to pay in addition to the contribution to premiums and interest.

My final decision

For the reasons I've explained, I'm upholding this complaint and directing Barclays to do as they've offered and:

- Refund Mr and Mrs H the difference in premiums paid between January 2009 and when they make the refund;
- Pay 8% simple interest on each premium from the date the premium was paid until the date of refund;
- If Mr and Mrs H retain the policies, pay them a sum equivalent to the difference in premiums due from the date of settlement to the end of the policy terms; and
- Pay Mr and Mrs H £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mrs H to accept or reject my decision before 12 February 2026.

Helen Stacey
Ombudsman