

The complaint

Mr G and the estate of the late Mrs G complain that Sesame Limited failed to ensure a life policy they'd taken out was written into trust. They say this will result in Mr G's estate facing a larger inheritance tax (IHT) liability.

Mr G and the estate of the late Mrs G are represented by their solicitor, Mr P. And the firm they complained to was AHJ Financial Services Ltd, which is an appointed representative of Sesame. This means Sesame is responsible for certain activities AJH carried out, including those which are the subject of this complaint. For simplicity, instead of referring to Mr P or AJH I will simply use Mr G and the estate of the late Mrs G, and Sesame, throughout this decision.

What happened

Mr and Mrs G had an ongoing relationship with Sesame for the provision of various financial planning advice. In 2003 as part of their estate planning, Sesame recommended they take out an index-linked whole-of-life policy (written on joint lives, payable on the second death) with an initial sum assured of £180,000.

In its recommendation Sesame said this policy was *"to help with the burden of an Inheritance Tax payment"* and that *"this cover is to be placed in Trust"*.

In 2024, Mr and Mrs G realised that this policy had never, in fact, been placed in trust. And so the payment after they died would form part of their estate and fail to achieve their objective of passing the policy proceeds on to their descendants free of IHT. They complained.

Sesame didn't uphold their complaint, saying that the adviser had told Mr and Mrs G they needed to speak to their solicitor to arrange for the policy to be placed in trust. It said it wasn't responsible for any consequences of the policy forming part of their estate.

Mr and Mrs G didn't agree and brought their complaint to our service. They said the reference in the recommendation to discussing trusts with their solicitor related to something different, and not this policy which they maintained they'd expected Sesame to arrange to be placed in trust.

One of our investigators looked into things and didn't think Sesame had done anything wrong. He thought, on balance, that Sesame had told Mr and Mrs G to make any trust arrangements through their solicitor, and hadn't committed to arranging the trust for this policy.

Mr and Mrs G still didn't agree and asked for an ombudsman to decide the matter.

I issued a provisional decision saying I thought the complaint should be upheld. In summary I said:

- The adviser's reference to Mr and Mrs G consulting their solicitor related to setting up

Will Trusts, not the placing of this policy into trust.

- The policy provider's application form included a note that a separate form needed to be filled out to write the policy in trust. This suggested that Mr and Mrs G wouldn't have needed a solicitor but would have been able to arrange for the policy to be written in trust as part of the application.
- Overall I thought Sesame intended to arrange with the product provider for the policy to be written in trust, but failed to do so.
- Putting things right wasn't straightforward. It wouldn't be easy to now place the policy in trust because Mrs G had lost capacity and had an attorney acting on her behalf.
- Even if the policy were now placed in trust, Mr and Mrs G's estates could face a loss if they both died within seven years.
- I provisionally concluded that Sesame should pay Mr and Mrs G an amount equal to the likely current IHT liability payable on the value of the policy.
- I thought it should pay them a further £200 for the trouble they'd been caused.

Some time after I issued my provisional decision, Mrs G sadly passed away. Once probate had been granted I revisited the matter and have exchanged correspondence with the parties about how to put things right. In summary:

- The possibility of placing the policy in trust was now less complex than had been the case. And placing the policy in trust now was a reasonable step Mr G could take to mitigate the potential for further losses to his estate.
- So fair compensation should be based on Mr G taking those mitigating steps – in other words that the IHT exposure of the policy would taper over time and be removed completely should Mr G survive seven years after placing the policy in trust.
- I said Sesame should arrange for an inter-vivos policy or other decreasing term assurance policy to be taken out, which would cover Mr G for a sum equal to the current IHT payable on the policy, decreasing in line with the reduction in IHT exposure once the policy was placed into trust.
- Sesame agreed to my recommendation. But later said it thought it might be unable to source a policy given Mr G's age.
- I said that if Sesame can't source such a policy, it will need to effectively self-insure against the risk of Mr G's passing before the policy proceeds fall outside his estate. It would have to do that by providing a written undertaking to Mr G that, were he to die within seven years of the policy being placed into trust, it will pay his estate a sum equal to the IHT liability of the policy at that time.
- I also said Sesame should arrange for the policy to be placed into trust for Mr G. Or pay any reasonable costs he incurs in doing so.
- Mr G responded to ask what I intended to do about costs. Including the legal costs he had incurred in bringing his complaint.
- He also provided correspondence from the policy provider which indicated he'd be able to place the policy into trust, and that there'd be no charge to do so.

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, and as neither party has provided any evidence or arguments in response to my provisional decision and subsequent emails and recommended outcome, I reach the same conclusions as in my provisional decision and that correspondence for the same reasons.

Firstly though I'd like to express my condolences to Mr G for his wife's passing. I'm grateful

for his engagement with this matter, through his solicitor, at what must be a very difficult time.

I've not been persuaded to depart from my view that Sesame ought to have arranged for this policy to be written in trust at the outset. And so it should fairly compensate Mr G and the estate of the late Mrs G for any financial loss they suffer, or are likely to suffer, as a result of it currently not being in trust.

Putting things right

Everyone seems to agree that it's reasonable for Mr G to now place the policy into trust. As Sesame should have done this to begin with, I think it's fair for it to make the arrangements for that to happen. If it can't, and Mr G does so himself and incurs reasonable costs in doing so, I think it would be fair and reasonable for Sesame to reimburse him those costs.

I'm pleased to note that the policy provider has however suggested placing the policy in trust should be a relatively straightforward and inexpensive exercise.

Once the policy is placed in trust, Mr G's potential IHT liability will begin to taper, and if he survives for seven years there'll be no liability and therefore no loss to compensate.

However there is the potential for a loss that flows directly from Sesame's error if he were to pass away with seven years of writing the policy into trust. I think it is fair and reasonable for Sesame to pay for such a loss should it arise. As it's a future, potential loss, that means Sesame effectively needs to insure Mr S against the risk of it materialising.

If it is able to, it should do this by sourcing, arranging, and paying for an inter-vivos or other insurance policy which would cover Mr G for the current IHT liability of the policy, decreasing in the level of cover in step with the decreasing IHT exposure. The policy should run until seven years after Mr G's life policy is written into trust.

This should be the first option as it provides cleaner finality to both parties and an ability to draw a line under the complaint.

If Sesame is unable to source such a policy, and can evidence that it took reasonable steps to do so, then it will need to self-insure against the risk of a loss I think it ought to be responsible for. It should do this by giving Mr G a written undertaking that if he dies within seven years of his policy being written into trust, it will pay his estate an amount equal to the IHT liability of his policy at the time of his death.

Given the importance of this document, I think it would be reasonable for Mr G to want to consult his solicitor and so I think if it takes that route it would be fair for Sesame to pay reasonable legal costs that are associated with the provision of the undertaking.

Mr G has also asked whether other legal costs should be covered, in particular those he incurred in bringing his complaint to Sesame and our service. While our service has the power to award costs, it is our long standing approach that consumers don't generally need legal expertise or support to make a complaint, or to come to our service. We are a free and informal alternative to the courts. So while I understand why Mr G wanted the input and support of his solicitor, I don't think it would be fair and reasonable to award those costs here. Sesame's error didn't cause him to incur those costs as he could have complained without the support of a lawyer.

Finally, I remain of the view that the experience of discovering his policy wasn't written into trust will have been upsetting to Mr G. And that £200 is fair compensation for that.

My final decision

For the reasons given here, in my provisional decision, and my correspondence since my provisional decision, I uphold this complaint and direct Sesame Limited to pay Mr G and the estate of the late Mrs G compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and the estate of Mrs G to accept or reject my decision before 28 April 2026.

Luke Gordon
Ombudsman