

The complaint

Mr G complains that Royal London Mutual Insurance Society, Limited (THE) trading as Scottish Provident ('Scottish Provident') failed to disclose initial and ongoing commission paid to the firm who sold his term assurance policy.

What happened

In 2010, Mr G was sold a term assurance policy with Scottish Provident by a firm I'll refer to as 'B'. The policy was designed to pay benefits in the event of death or critical illness. It was set up to run for 23 years on a decreasing basis to cover Mr G's mortgage.

Mr G said he was not informed at the point of sale that Scottish Provident would pay B initial and ongoing commission payments for arranging the sale. He said he only became aware of the commission arrangement during a phone call with Scottish Provident in 2025. Mr G believes Scottish Provident's failure to disclose the commission at the time of sale breached regulatory requirements and prevented him from being able to make an informed decision about whether to proceed with the policy.

In 2025, Scottish Provident agreed to stop paying ongoing commission to B and removed it as servicing agent from the policy upon Mr G's request.

Mr G complained to Scottish Provident. It rejected his complaint and said it was B's responsibility to disclose the commission structure during the sales process. Mr G didn't accept this response. He said he understands B had a responsibility to disclose the commission, but it's his belief that Scottish Provident, who benefitted from the sale, also had an obligation to ensure Mr G was fully informed about it.

Unsatisfied with Scottish Provident's response, Mr G referred his complaint to our service. He said if he knew about the commission at the point of sale, he wouldn't have agreed to purchase the policy. He would've instead opted to purchase the policy with Scottish Provident directly, or found an alternative provider.

One of our investigators looked into Mr G's complaint and didn't think Scottish Provident needed to take any action. They said:

- At the time the policy was sold, intermediaries would typically receive their fee for arranging the policy via commission payments.
- It was the responsibility of the intermediary that sold the policy to disclose the commission arrangement to Mr G, rather than the policy provider. Usually this would be set out within a recommendation letter or policy illustration.
- Mr G may wish to consider directing his complaint to B who sold the policy to him.

Mr G didn't agree with the investigator's conclusion. In summary, he said:

- While he understood B was obligated to disclose the commission at the time of the sale, this didn't detract from the fact that Scottish Provident had paid out commission

for many years without ensuring he had been properly informed about it.

- Scottish Provident cancelled the commission payments when Mr G challenged it in 2025, which demonstrates Scottish Provident had control over the commission and could intervene.
- The illustration document, which he didn't receive at the time of sale, did not sufficiently demonstrate that Mr G was informed about the commission structure at the time.
- His concern that the commission structure was a conflict of interest hadn't been addressed.
- To resolve his complaint, he'd be willing to accept:
 - A refund of commission paid, plus interest.
 - A refund amounting to the difference between the price he paid for his policy and the cost of an equivalent plan that didn't include commission payments, plus interest.
 - Compensation for distress and inconvenience.

Our investigator was not persuaded to change their opinion in response to Mr G's further submissions. As matters remain unresolved, Mr G's complaint 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.

I'd like to assure Mr G that while I've carefully reviewed the entirety of his submissions, in light of the informal nature of this service, my decision will focus on what I consider to be the main issues, rather than address each point he's raised individually. I've reached the same conclusion as our investigator. I'll explain why.

I've seen a copy of the application form completed by B in 2010, which confirmed it had provided Mr G with a personal recommendation to buy the policy with Scottish Provident. Having recommended and sold the policy to Mr G, B would've had a regulatory obligation to make sure he was informed of the costs associated with the policy including the commission structure. The regulatory framework in force at the time placed responsibility for disclosing adviser remuneration on the advising firm. I've not seen anything to suggest B was acting as agent for Scottish Provident.

As Scottish Provident was not involved in the activity of selling the policy to Mr G, the same disclosure requirements did not apply to it. I therefore don't agree there was any regulatory obligation in place at the time for Scottish Provident to make sure B provided Mr G with the relevant disclosures and documentation, or to provide the information to Mr G directly.

Prior to setting up the policy, Scottish Provident provided B with an illustration, which contained details of the commission arrangement. It's reasonable for Scottish Provident to have understood that B would've passed the illustration document on to Mr G, though I understand he's explained he did not receive a copy at the time. He's also raised concern that the illustration did not clearly disclose the commission in a way that a consumer would understand. As this complaint is against Scottish Provident, I haven't considered B's contact with Mr G, so I'm not able to comment on what may have been discussed or disclosed during the advice process. But it would have been B's responsibility to make sure it communicated the commission arrangement to him in a manner that was clear, fair and not

misleading. I don't consider that Scottish Provident acted unreasonably by not proactively sending an additional copy of the illustration to Mr G, or following up with B to check it had been passed on to him and explained.

At the time the policy was arranged, it was typical for advisers to receive payment for their work via commission paid by the policy provider, rather than the policyholder paying a separate fee for the advice. It was common for commission to be structured as an initial payment upon commencement of the policy, followed by regular ongoing commission. I appreciate Mr G has concerns this practice may have amounted to a conflict of interest, but I don't agree Scottish Provident did anything substantially wrong in having this type of commission arrangement in place at the time the policy was sold to him. And while I understand Scottish Provident agreed to switch off the commission upon Mr G's request to remove B as servicing agent from his plan – this doesn't mean it acted unreasonably in paying the ongoing commission prior to Mr G's request.

Ultimately, I'm not able to hold Scottish Provident responsible for any disclosure failings that may have occurred at the time the policy was sold. I also don't consider there to have been a separate requirement for Scottish Provident to disclose the commission arrangement to Mr G, so I'm not persuaded it acted unreasonably.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 20 May 2026.

Rebecca Faiers
Ombudsman