

complaint

Mr and Mrs Y complain that The Prudential Assurance Company Limited, trading as Egg made an error when they took out a joint life with critical illness policy. The business accepted a joint application and took premiums for a joint policy, but provided a single policy for Mrs Y alone.

background

In 2002 Mr and Mrs Y applied for a joint decreasing term assurance policy through the online site Egg. It wrote to Mr and Mrs Y on 3 December 2002, acknowledging receipt of the application. This letter confirms that the policy covered both Mr and Mrs Y. Mr Y is involved in a high risk occupation and after being prompted by his employers to review his insurance cover Mr Y contacted Prudential in 2013 to check his policy. However, during this telephone call he was informed that the policy only covered Mrs Y.

Prudential in its final response letter, acknowledges that the policy should have been set up on a joint basis, but an error on its part meant that its records showed that the policy was set up to cover only Mrs Y. To put this right Prudential offered Mr and Mrs Y £200 by way of compensation.

my provisional decision

In summary, the adjudicator investigating this complaint found that it should partially succeed. She concluded that Prudential had made an error and as the policy only covered Mrs Y there is no guarantee that it would have paid the sum assured had Mr Y died or become critically ill with a specified illness. On this basis the adjudicator recommended that Prudential repay Mr and Mrs Y the difference in premiums between the joint decreasing term assurance policy taken out with a competitively priced single life and critical illness decreasing term assurance policy. Prudential rejected the adjudicator's view.

I concluded that although it is most likely Prudential would have initially refused to pay out claim for Mr Y, it would have paid it out in the end. For that reason I did not consider a refund of the premiums to be appropriate redress to settle the complaint. But I felt the amount of compensation should be greater than offered by Prudential. As such, I was minded to uphold the complaint and direct the business to pay Mr and Mrs Y compensation of £800 in addition to the £200 already paid. I invited both parties to comment on my provisional decision.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Prudential has said that it broadly agrees with my findings, but finds the level of compensation I suggested to be excessive. It says that should a claim have been submitted for Mr Y it would have investigated it and eventually paid out. It has provided this service with statements issued to Mrs Y over the years showing the level of reducing cover under the policy. Prudential believes Mr and Mrs Y should have queried why Mr Y was not shown on any of these documents sooner. For these reasons, it feels that an increase of £300 to the £200 compensation it has paid Mr and Mrs Y would be a more equitable way to settle the complaint.

Mr and Mrs Y have said that they feel the compensation I have suggested is a fair way to resolve the complaint.

I appreciate that Prudential believes it would have paid out if a claim had been made on Mr Y's life, but as I said in my provisional decision I do not consider it would have done so easily. Mr Y took responsibility for the family financial affairs and in his absence Mrs Y may well have struggled to deal with a protracted claims process.

Mr Y says that when he discovered he was not covered he asked Prudential if he could take out a policy, but this was refused due to the level of risk he faced. Prudential disputes this, presumably because no formal application was received. However, I am inclined to accept that when Mr Y asked for cover he was told he could not have any and so did not make a formal application.

I note that Prudential sent regular statements which are addressed to Mrs Y alone and I see some merit in the argument that Mr and Mrs Y should have noticed that Mr Y's name was not included. It could well be that they assumed she was the first named on the policy or maybe they simply overlooked that Mr Y's name was missing. They believed, and rightly so, that the policy was in joint names. However, I consider the level of compensation I suggested in my provisional decision should be slightly reduced to £900.

my final decision

My final decision is that I uphold this complaint and direct The Prudential Assurance Company Limited, trading as Egg to pay Mr and Mrs Y compensation of £700 in addition to the £200 already paid. Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs Y to accept or reject my decision before 13 January 2015.

Ivor Graham
ombudsman