

complaint

On behalf of his parents, Mr A1 complains that Lloyds Bank plc sold them a whole-of-life policy that wasn't right for them.

background

Mr and Mrs A took out a joint whole-of-life policy through Lloyds (then TSB) in 1991. The policy had a sum assured of £3,000, which would be paid out when the first of them passed away, and the premiums were to be paid until the policy anniversary after Mr A turned 90.

In 2015, Mr and Mrs A's son, Mr A1 complained that his parents had taken out the policy on the basis it would pay for both of their funeral expenses. They had paid more in premiums than the sum assured and that wouldn't be enough to pay for their funeral costs. He asked for the premiums to be refunded to them or the costs of two funerals to be paid.

Lloyds said that Mr and Mrs A had wanted to talk about regular savings for their retirement when they met with its advisor. They had no life cover and the advisor recommended that they should start this joint whole-of-life policy. It said the policy was suitable to meet their protection needs and they had been able to make an informed decision about whether to take out the recommended policy.

Our adjudicator thought that the policy sum assured had been made clear to Mr and Mrs A when they took out the policy. She didn't think the policy was unsuitable for them as they wanted life cover for the whole of their lives.

However the adjudicator thought that Lloyds could've provided a better level of service to Mr and Mrs A when dealing with their complaint and suggested that it should pay an additional £100 to them for the inconvenience caused by delays.

Lloyds accepted the adjudicator's recommendation but Mr A1 asked for the complaint to be reviewed. He said the policy schedule had mis-leading information in it. His parents would end up paying more to the policy than its sum assured and they wouldn't have taken out a policy that only covered one of their funeral costs. The policy wasn't suitable for them and they were badly advised.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I have looked carefully through the available information from the time Mr and Mrs A took out this policy, alongside what Mr A1 has told us. I understand that Mr and Mrs A believed this policy would fully pay for their funeral expenses when they pass away.

The whole-of-life policy would pay out a lump sum when the first of them was to pass away. The premiums were to be paid up until Mr A, as the elder, turned 90 or until a claim was made on the policy if that was earlier.

So although the policy's sum assured could be used towards any associated funeral costs, I haven't seen anything in the available information to show that it would fully pay the costs of two funerals, whenever they are needed.

The premiums that Mr and Mrs A have paid to their whole-of-life policy have been mostly used to pay for the cost of providing them with life cover through its term. The information from when they were sold the policy doesn't suggest that they were looking for a form of investment vehicle. However, their policy has also built up a surrender value.

Although this may be less than they have paid in premium so far, I don't think that this in itself means the policy wasn't right for what they wanted at the time. The policy gave Mr and Mrs A life cover from the time it started and would have paid out the sum assured if either of them had passed away while the policy was in place, even if they had paid less in premiums by that time.

The policy documentation explains that the policy was set up on a joint life, first death basis and that its sum assured was £3,000. It also says that the term of the policy was 99 years and it gave decreasing term assurance cover. These are the two points Mr A1 believes to be mis-leading.

Lloyds has told us that this was a system error in showing this information on the policy schedule. All the other information, including the policy booklet sets out that the policy was whole-of-life and the premiums would be payable until the eldest policyholder turned 90. From what Mr A1 has said Mr and Mrs A were aware that the policy would pay out when the first of them passed away, as they believed it would pay for their funeral costs. The sum assured was set from the start of the policy as £3,000. So I don't think that they've been misled or disadvantaged by this incorrect information showing on their policy schedule.

Overall, I don't think that Lloyds mis-sold this policy to Mr and Mrs A. I think they were given enough information to understand the basis on which the policy would pay out and the amount of cover they had.

Lloyds has agreed to pay Mr and Mrs A £100 for the inconvenience they were caused in its handling of the complaint, and I think that's a fair way to resolve it.

my final decision

My decision is that Lloyds Bank plc should pay Mr and Mrs A a further £100 for the delays in addressing the complaint that Mr A1 brought on their behalf.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A1 to accept or reject my decision before 25 January 2016.

Cathy Bovan
ombudsman