

complaint

Ms C has complained that Chase de Vere Independent Financial Advisers Limited mis-sold her two income protection insurance policies.

background

Ms C held two income protection policies with insurer A. In 2006, she met with an adviser from Chase de Vere. On his advice, she took out a further two policies with insurer B.

In 2014, Ms C had another meeting with the adviser who by now was working for a different business. The adviser told Ms C to cancel the two policies with insurer B because she was over-insured and couldn't benefit from them.

Ms C cancelled the policies and complained to Chase de Vere that it had mis-sold these to her. Chase de Vere didn't uphold her complaint and so Ms C referred her complaint to this service.

Our adjudicator didn't recommend that the complaint be upheld. She thought the adviser should have been aware of the two policies with insurer A. She also thought, based on the calculations provided by Chase de Vere, that this meant Ms C was slightly over-insured after taking out the two policies with insurer B. However, she noted that Ms C was expecting an imminent pay rise and therefore considered the slight over-insurance was reasonable. Ms C didn't dispute the adjudicator's findings and the file was closed.

A couple of months later, Ms C discovered information that she believed showed Chase de Vere had based its calculations concerning her level of over-insurance on incorrect data. Her second policy with insurer A was for a higher amount than Chase de Vere had stated. As a result, she believed it had underestimated the extent to which she'd been over-insured. She brought this to the attention of Chase de Vere but it refused to consider the information, saying that the matter had already been investigated by this service. Ms C complained to Chase de Vere and, when it didn't respond, she again referred her complaint to this service.

I issued a provisional decision explaining why I was minded to uphold the complaint.

Although Chase de Vere didn't sell Ms C her policies with insurer A, she'd provided evidence to show that its adviser was aware of these policies before she met with him in 2006. I was therefore satisfied that the adviser should have taken these policies into account when he advised Ms C, regardless of whether he noted them in the fact find he carried out at the time of sale.

When the original complaint was under investigation by this service, Chase de Vere provided a calculation showing the extent to which Ms C was over-insured at the time of the 2006 sale if the two policies with insurer A were taken into account. Chase de Vere said it based this calculation on information it received from insurer A concerning the two policies which showed that the second of these policies provided £6,308 of cover a year. It calculated that Ms C therefore had total cover worth £51,442 a year and could have claimed a maximum of £45,800 under her policies with insurer B. This meant she was over-insured by £5,642, which was arguably reasonable given that Ms C was shortly expecting a pay rise.

However, Ms C later found that her second policy with insurer A provided cover of £12,764 at the time of the 2006 sale. She provided evidence to this effect which I found convincing.

She had tried to present this evidence to Chase de Vere but it had refused to reconsider its original decision. I thought Chase de Vere was wrong to take this position.

If the adviser had fully taken into account Ms C's policies with insurer A at the time of the 2006 sale, he would presumably have recommended a lower amount of cover under the policies with insurer B. I thought this should form the basis of the redress. Ms C had shown that she had £6,456 more cover (£12,764 - £6,308) than Chase de Vere estimated when it calculated how much she was over-insured. Assuming that Chase de Vere's calculations were correct in all other respects, this meant Ms C's level of over-insurance was actually £12,098 following the sale of the two policies (£5,642 + £6,456). I accepted that some degree of over-insurance was perhaps appropriate in view of Ms C's expected pay rise. However, I thought 5% would have been sufficient. I calculated that this would have allowed Chase de Vere to over-insure Ms C by £2,290. This meant that her true level of over-insurance following the 2006 sale was £9,808 (£12,098 - £2,290).

Chase de Vere sold Ms C a policy with insurer B that paid benefit after a 12 month deferred period of £16,328 a year. To put her back in the situation she would have been in had it advised her correctly, I thought Chase de Vere should pay Ms C the difference between the amount she paid for that policy and the amount she would have paid for a policy worth £6,520 a year (£16,328 - £9,808). I thought interest should be added to that sum.

I invited both parties to comment on my provisional decision.

Ms C responded to say that, although she feels she probably didn't need either of the policies sold to her by Chase de Vere, she nonetheless accepts my provisional decision. She raised questions and concerns about how the interest would be calculated and the tax implications of any award she received.

Chase de Vere said it had no further comment to make.

my findings

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, given that Ms C accepts my provisional decision and Chase de Vere has offered no comment, I'm satisfied that my provisional decision should stand. I therefore uphold this complaint.

It will be up to Chase de Vere to calculate the interest payable to Ms C based on my decision. Our adjudicator may be able to offer some assistance to Ms C in respect of the tax issues but ultimately she will be responsible for her own tax affairs.

my final decision

For the reasons given above, my final decision is to uphold this complaint. I require Chase de Vere Independent Financial Advisers Limited to pay Ms C the difference between the cost of her premiums for the policy with insurer B providing cover of £16,328 a year and the amount she would have paid for a similar policy providing cover of £6,520 a year from the time the policy started until the time the policy ended. I further require Chase de Vere to add interest to this amount at the simple rate of 8% per year from the date Ms C paid each premium to the date of settlement.*

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 3 May 2016.

David Poley
ombudsman

* HM Revenue & Customs requires Chase de Vere Independent Financial Advisers Limited to take off tax from this interest. Chase de Vere must give Ms C a certificate showing how much tax it's taken off if she asks for one.