

complaint

Mr and Mrs P complain about a whole-of-life (“WoL”) policy they were sold by Abbey Life Assurance Company Limited (“Abbey Life”) in 1993. They say it wasn’t needed and so it was unsuitable for them.

background

Abbey Life reviewed the complaint and concluded the WoL policy was unsuitable for Mr and Mrs P based upon the information available from the time of sale. It said that a more suitable recommendation would’ve been a 30-year term assurance policy with critical illness cover (“CIC”). It compared the difference in cost between the two policies and concluded Mr and Mrs P hadn’t lost out financially. But Abbey Life did offer £100 to reflect the delays whilst it investigated.

Mr and Mrs P are represented by a claims management company (“CMC”) which disagreed with Abbey Life’s assessment. It said they should never have been sold any form of life cover and the money they’ve paid for premiums could have been used to provide for their family or to reduce their mortgage.

Our investigator reviewed the complaint and recommended that it shouldn’t be upheld. She concluded that Abbey Life’s response had been reasonable and the offer fair. The CMC responded saying Mr and Mrs P hadn’t needed the WoL policy at all, and commented that they already held alternative cover.

As no agreement could be reached, I’ve now been asked to review things afresh and make a decision on the matter.

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, I’ve reached the same conclusion as the investigator, and for much the same reasons.

Part of the challenge when reviewing this complaint, is that many of the documents from the time of sale are unreadable. But there is some information available, and where there are uncertainties I have to decide what I think most likely to be the case.

Abbey Life accepted that there wasn’t sufficient evidence to show that a WoL policy was suitable for Mr and Mrs P. So what I must decide is whether its suggestion of an alternative policy would’ve been an appropriate recommendation.

The CMC has said that Mr and Mrs P didn’t have a need for life and critical illness cover at all, and so any alternative policy would be unsuitable. But I disagree. Although it’s not clear exactly what Mr and Mrs P had wanted in 1993, I think it’s clear they were taking out and paying for life and CIC. And so I’m satisfied they wanted cover.

The WoL policy wasn’t suitable because of the way it could be reviewed. This meant the premiums could increase significantly in order for them to keep the same level of cover, and ultimately could become unaffordable.

There's nothing to suggest the policy was taken to protect a specific debt such as a mortgage, and so it's likely to have been taken for family protection purposes. Mr and Mrs P were married with three young dependants. I've taken this into account when deciding what would've been a reasonable term.

Abbey Life has suggested a term of 30 years would've been suitable. Although there are few documents available, I'm aware that this term would've run until Mr P's retirement. I've considered whether it's likely Mr and Mrs P would've only needed cover whilst they had dependent children. But the fact that they paid the premiums and maintained the cover for 23 years suggests that they wanted protection beyond that time.

As Mr and Mrs P have had the benefit of the policy and would've had the opportunity to cancel the cover, I think it's reasonable for Abbey Life to conclude the cover was wanted for a longer duration. By running until retirement it would've provided security for Mr or Mrs P in the event of something happening to one of them. But to end it before their income had fallen in retirement seems sensible.

I understand the CMC says Mr and Mrs P had existing cover which means they shouldn't have been sold any policy. But I'm satisfied they had likely wanted cover at the time. And the protection benefits they had through employment wouldn't make a dedicated policy unsuitable. As those benefits would likely cease if employment changed or ended.

As I consider the comparison with a 30-year term assurance with CIC is reasonable, I've looked at the calculation Abbey Life has provided and agree it seems fair. I realise that my decision will be likely to disappoint Mr and Mrs P, but I can assure them that I've given the complaint a full, independent review.

I note Abbey Life has offered £100 to Mr and Mrs P to reflect the delays in dealing with their complaint. As this relates to its complaint handling which isn't regulated and so doesn't fall within our jurisdiction, I've not considered this.

my final decision

My final decision is that I don't uphold Mr and Mrs P's complaint against Abbey Life Assurance Company Limited. It is for them to decide whether they wish to accept the £100 offer which has been made by Abbey Life.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs P to accept or reject my decision before 29 January 2018.

Ross Hammond
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