

complaint

Mr P is unhappy because he says that The Prudential Assurance Company Limited did not tell him when he took his pension benefits that the life assurance policy attached to his pension would cease. He only found this out later when he received a letter saying that the policy had lapsed. He says that no one ever told him previously that the policy would lapse when he cashed in his pension or told him that the policy was tied in with his pension. He has now had to take out more expensive life cover elsewhere. He would like to be compensated for the loss of his life cover.

background

The Prudential accepted that it had not told Mr P when he took benefits that he would lose his life cover. It offered £100 for the inconvenience that would have caused. However it did not uphold the complaint that Mr P should be compensated for the loss of the life cover itself. That was because there was no opportunity to keep the life cover if the pension was cashed-in – it would have to end or lapse.

It also said that the documents signed at the time the pension was taken out stated the life cover was a benefit of the policy. Plus Mr P stopped premiums to his pension in 2002 but asked for the life cover to continue - so he would have been aware the life cover was part of the policy. It did offer to supply Mr P with replacement life cover at current rates.

Mr P referred his complaint to this service. An investigator considered it. He thought that Mr P would have cashed-in his pension even if he had known he would lose his life cover. And then he would have needed to have taken out replacement cover in any event. But he did think a higher payment for the inconvenience this would have caused was appropriate.

The Prudential disagreed and so the complaint has been passed to me for review.

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 agree that Mr P should have been told when he cashed in his pension that he would lose his life cover. But I also think it is more likely that if Mr P had been told this, he would have still gone ahead and cashed-in the pension. The life cover was an ancillary benefit to the main pension and if Mr P had taken the decision to encash the pension to get his money out I don't think losing the life cover for the approximately 5 years left it was to run, would have changed that decision.

I appreciate that Mr P says he was not told his life cover was attached to his pension previously but the evidence would suggest that he would have been informed of this when he took the pension out. And also the fact that he stopped premiums but requested the life cover continue does suggest that he was aware the two were associated. In any event I don't believe that almost twenty years previously, when this plan was taken out, the fact that the life cover was attached to the pension was an important issue. There would not likely have been any knowledge then that Mr P may take his pension benefits 'early', therefore creating this potential issue with life cover. So I don't believe that Mr P at outset would have taken any other decision that to take out life cover attached to his pension.

So, Mr P is in the position he would have been in anyway: he has cashed in his pension and lost the life cover – The Prudential has not affected that. He would then have had to take out separate life cover if he wished to do so. So The Prudential has also not affected that.

The remaining issue is the level of payment Mr P should receive for the inconvenience caused in finding out later that his life cover had lapsed. I have considered this issue carefully. I am sure it would have caused inconvenience to be told the life cover had lapsed. But the notification from the Prudential that it had lapsed was issued very quickly after Mr P had cashed in his pension. The only issue is that Mr P should have been told this slightly earlier, when he decided to cash in the pension.

Bearing that in mind I believe The Prudential's offer of £100 is fair.

my final decision

So long as The Prudential's offer of £100 remains open for Mr P to accept, I do not uphold this complaint or make any further award.

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

David Bird
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