

complaint

Ms P complains about the sale of an income protection policy by Santander UK Plc.

background

In 2011, Ms P met with a Santander adviser as she wanted to take out life cover. At the same time, she agreed to take out an income protection policy. The income protection cover was arranged with a deferred period of 36 months.

When reviewing her finances a few years later, Ms P complained to Santander about the deferred period, as she thought it should have been much shorter. Santander didn't agree, so she brought a complaint to this service.

Our adjudicator upheld the complaint as she thought the deferred period was unsuitable. She recommended Santander refund the premiums Ms P had paid for the policy.

Santander disagreed with the adjudicator's recommendations, so the matter has been passed to me.

my findings

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

When Ms P met with the adviser, a fact-find was completed. This recorded that Ms P was a self-employed GP running a single practitioner practice. It was noted that in the event of long-term ill health, Ms P would maintain an income from her practice and would look at running it as a partnership with her partner.

The adviser then wrote to Ms P with a letter confirming their discussions. This said Ms P needed to replace some of her lost earnings if she were unable to work due to illness or injury. The adviser went on to explain that she'd recommended the deferred period of 36 months because Ms P had told her that, in the event of illness or accident, the practice would continue to generate an income for her. But if this were long-term, she would review options for the business and therefore had agreed a deferred period of 36 months.

I understand Ms P continued running the GP practice for a few more years, then sold the business. She now works as a salaried GP and says she doesn't receive any sick pay from her employer.

It's therefore apparent that the 36 month deferred period definitely became unsuitable for Ms P after she sold her business (as she'd no longer be able to take an income for 36 months from her practice after this time). But the adviser made it clear that if Ms P's circumstances changed, she should inform the insurer of this. I note Ms P has tried to reduce her deferred period, but her insurer has refused her request.

But this complaint concerns the sale of the policy – therefore I've considered whether the deferred period of 36 months was suitable for Ms P's needs and circumstances at the time it was sold. Having done so, I don't think it was appropriate. I'll explain why.

Ms P told the adviser that if she couldn't work because of ill-health, she would still receive an income from her practice. I understand Ms P was the only GP working at the practice at the time, therefore I'd assume she'd use a locum GP to look after her patients if she couldn't work. Ms P also told the adviser that an option would be for her partner (who I understand is a locum GP) to help her run the practice as a partnership.

I note that Ms P also told the adviser that if she were unable to work in the longer term, then she'd need to make decisions about whether or not to keep the business. It seems the adviser selected the deferred period of 36 months based on the assumption Ms P would sell her business after this time. But given that Ms P (nor the adviser) would have no way of knowing when she may or may not sell her business in the event of long-term ill health, I can't see how the deferred period of 36 months can have been suitable.

It seems to me that it would have been more appropriate for the adviser to have considered locum protection cover for Ms P, rather than income protection. This would have paid for the cost of hiring a locum to look after Ms P's patients if she couldn't work because of ill health (although I appreciate it would have been more expensive than the income protection cover).

But I see that the adviser sold insurance products on behalf of a particular insurer/s, so locum insurance may not have been an option that she could have offered to Ms P. But if the adviser couldn't have recommended an appropriate insurance policy, I think she should have told Ms P to seek advice from an independent financial adviser, who could have considered whether a locum protection policy would have been suitable for Ms P.

As I've mentioned above, Ms P's circumstances have since changed, and she does now require income protection cover (and wouldn't have needed locum cover after selling her practice). So I don't require Santander to place Ms P in the position she would have been in, had locum cover been sold to her from the outset.

But it's also the case that the income protection cover has remained unsuitable for Ms P, even after she sold her practice. I say this because she doesn't receive any sick pay, therefore the deferred period of 36 months is completely inappropriate for her. As the insurer has refused her request to reduce the deferred period, I understand she's since cancelled her income protection cover.

Given that I've found the income protection policy wasn't suitable for Ms P from the outset, and Ms P hasn't been able to change the deferred period to make it suitable, I think the fairest outcome would be for Santander to pay compensation equivalent to the premiums Ms P has paid for the policy since it was taken out. Interest should be added to this, to recognise that Ms P has been without use of that money since taking out the cover.

my final decision

My final decision is that I uphold this complaint. I require Santander UK Plc to refund all the premiums Ms P paid for this policy. Interest should be added at the rate of 8% simple (less tax if properly deductible) from the date each payment was made to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 11 April 2016.

Chantelle Hurn-Ryan

ombudsman