

complaint

Ms M complains about the sale of three income protection policies, as well as administration errors she says have been made by Wesleyan Assurance Society.

background

In 1995, Ms M took out two income protection policies ("A" and "B"). Policy A provided cover of £100 per week after a deferred period of 26 weeks, and policy B provided cover of £155 after a deferred period of 52 weeks. Both policies were index-linked.

In 2003, Ms M's income had increased and so she met with a Wesleyan adviser to review her cover. She was sold a new income protection policy ("C") which provided cover of £218 per week after a deferred period of 26 weeks. Policy C was also index-linked.

In November 2013, Ms M received a letter from Wesleyan about policy C. It advised her that her annual premiums reviews had not been carried out correctly, therefore it had been charging her a lower premium than it should have done. At that time, Ms M's monthly premium was £34.33, but she should have been paying £50.72. Wesleyan advised that it would start collecting the correct premium the following month and that it would waive the amount owed until that point. However, it gave Ms M the option to keep the same premium but have reduced cover.

Ms M complained to Wesleyan. She said that her premium had increased in May 2013 and the policy guaranteed that any change in premium would be fixed for 12 months. She therefore thought that Wesleyan would not be able to increase her premium before May 2014.

Further, Ms M said that when looking at her bank account, she had noted that Wesleyan was collecting two direct debits a month from her. She explained she thought she only held policy C as had understood that policies A and B had been cancelled in 2003. When she had made enquiries with Wesleyan, it transpired that the premiums for policies A and B had been collected under one direct debit, and the premium for policy C under another. Ms M therefore complained that policies A and B had not been cancelled and pointed out that she had not received any correspondence about these policies for many years. She was also concerned to note that the premiums had increased significantly since they were taken out in 1995.

Wesleyan responded and explained that annual policy reviews take place after the first five years of cover and the premium is increased or decreased as a result of the review. It said that the reviews for policy C had occasionally not been carried out, or had been carried out incorrectly. Therefore the increased premium that applied for policy C from December 2013 was a correction of this and did not fall under the policy terms which guaranteed the premium for 12 months. Wesleyan also said that policy C had been arranged as a top-up policy and therefore policies A and B had remained in place. Wesleyan further noted that it did not hold Ms M's home address under policies A and B – it offered her £50 compensation for any inconvenience she had suffered. Ms M did not accept Wesleyan's offer and brought a complaint to this service.

Our adjudicator did not recommend that the complaint be upheld. She thought that the cover under policies A and B had been taken into account when policy C was arranged in 2003. She made the point that if policies A and B had been cancelled, then it was likely Ms M would have been under-insured.

The adjudicator accepted that Wesleyan had made an error in calculating Ms M's premiums under policy C, but was satisfied that Wesleyan was able to charge the correct premium after it noticed its error. Finally, she thought that the £50 compensation payment offered by Wesleyan was reasonable.

Ms M did not agree with the adjudicator and so the matter has been passed to me to consider afresh.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

There are a number of issues for me to consider here, and so I will address each one in turn.

increase to policy C's premium in 2013

The policy explains under the heading 'premium review' that premiums are guaranteed for the first five years of the policy, but can be reviewed after this. It then explains that if the premium is changed, it will be guaranteed for 12 months.

Whilst I appreciate that policy C was subject to a premium review in May 2013 and that Ms M's premium increased after this review, her premium increase in November 2013 was not the result of an annual review. Instead, Wesleyan amended the premium to the correct amount that it should have been charging Ms M. I am satisfied that Wesleyan was able to do this and I note that its error meant that Ms M had paid £532.21 less than she should have done in premiums to that point. I think it was reasonable for Wesleyan to waive this amount, given that its own administration failings were responsible for Ms M previously being charged the wrong premium. I am further satisfied that this adequately compensates Ms M for Wesleyan's errors here.

three policies in place

Ms M explains that she thought policies A and B had been cancelled in 2003 when she was sold policy C.

There is limited documentation available from 2003 when policy C was sold. However we do have the letter that the adviser wrote to Ms M outlining his recommendations. In this letter he said "...we identified a shortfall in your income protection cover of £218 per week after 26 weeks..."

Whilst this indicates that Ms M and the adviser had discussed her existing cover and the adviser thought she needed additional cover of £218 per week, I take Ms M's point that it is not entirely clear from this sentence that the adviser was recommending the policy as a *top-up* to her existing cover.

That being said, I note that policies A and B provided initial total benefit of £255 per week (although in 2003 this would have been higher because of index-linking), yet policy C only provided £218 per week.

Ms M has explained that the reason her cover was reviewed in 2003 was because her circumstances had changed – she had a new role, increased income and better sick pay

arrangements. I understand she would have still received full sick pay from her employer for the first six months, followed by half pay for the following six months - but this would be a higher amount than she previously would have been paid, given her higher income.

As Ms M's earnings had increased by 2003 and therefore she apparently had a greater need for higher cover, it seems unlikely that the adviser would have cancelled her existing cover and then recommended a policy with less cover. Whilst I do not know if the adviser made it clear to Ms M that policy C was a top-up policy, it is also the case that I have not seen any evidence to suggest she was told that policies A and B would be cancelled once policy C had started.

I also cannot ignore that Wesleyan continued collecting the premiums for policies A and B each month until Ms M made her complaint in 2013, which was 10 years later. Whilst I acknowledge that the premiums for policies A and B were collected under one direct debit payment, it is still the case that Ms M was paying two direct debits each month to Wesleyan (one for policies A and B, and the other for policy C). She has provided a copy of her bank statements and I find it quite clear that two direct debits were being collected. If Ms M thought that she only held policy C, I would have expected her to contact Wesleyan far sooner than she did about the other direct debit.

I have also considered the suitability of policy C. Having done so, I note that the amount of benefit recommended was within the maximum amount of cover under the policy (also taking into account the cover under policies A and B), and was set up to take into consideration the sick pay from Ms M's employer. Wesleyan has confirmed that it would not have been possible for Ms M to have increased her existing cover, and so overall, I find the adviser's recommendation to have policy C as a top-up policy to be suitable advice.

Ms M does not dispute that she originally wanted policies A and B and that they provided her with a suitable amount of cover. Although she now says that by 2003 she did not need them, it is apparent that she did still want income protection cover in 2003 – these policies would therefore have still provided her with useful cover if she was unable to work because of accident or illness. As Ms M has had the benefit of the cover since that time, there is no basis upon which I can reasonably require Wesleyan to refund her the premiums paid.

documentation not received about premium reviews

Ms M has confirmed that she received letters relating to policy C. As I understand it, the address Wesleyan held for Ms M under policies A and B is a place where she occasionally works, but is not employed. Ms M maintains that she had not given Wesleyan this address to use for any of the policies.

I note that a letter from 1995 relating to Ms M's applications for policies A and B was sent to Ms M's home address - therefore it is apparent that at some point between 1995 and 2013, Wesleyan changed Ms M's address. Ms M says she did not receive any correspondence for policies A or B after 2003, when she took out policy C.

I do not know when Wesleyan changed Ms M's address details, as Wesleyan does not have a record of this. I also do not know why Wesleyan amended Ms M's address details to an occasional place of work (Ms M confirms she did not meet the adviser there in 2003). But given that the address it held for Ms M was her occasional place of work, it seems more likely than not that she had given this to Wesleyan at some point to use as her correspondence address.

I therefore do not find that Wesleyan was at fault for not changing Ms M's address details back to her home address if it had not received instructions to do so. However I note that it has offered her £50 for any inconvenience she has suffered, therefore if Ms M wishes to accept this then she would need to contact Wesleyan directly.

Ms M has explained that she was aware that the policies were subject to annual premium reviews and that the premiums could increase after a review. However she has questioned the level of increases since taking out policies A and B in 1995. The increases do vary each year, but tend to be around £2 or less. I appreciate that Ms M did not receive the premium review letters sent by Wesleyan, but the increased premiums were being collected from her bank account. It seems to me that if she was unhappy with the increases or was concerned that she had not received correspondence about them, then she could have contacted Wesleyan about this.

my final decision

For the reasons set out above, my final decision is that I do not uphold this complaint. I make no award against Wesleyan Assurance Society.

Chantelle Hurn
ombudsman