

complaint

Mr and Mrs H complain that Canada Life Limited sold them an unsuitable whole-of-life policy. They were led to believe that the premium for the policy would only change if they wanted it to, but now they've been told they need to pay significantly more to keep the same level of benefits.

They can't afford to pay the higher premium and reducing the benefits would mean they've lost the amount they've paid in since they started the policy

background

Mr and Mrs H started a whole-of-life policy in 2002 to help with inheritance planning. It was written in trust for their children.

Mr and Mrs H's policy was to be reviewed after the first ten years, and then annually after that. The reviews were to make sure that the amount of the monthly premium was still enough to meet the original sum assured.

In 2015, Canada Life said their monthly premium needed to go up significantly for the policy to provide the sum assured they originally wanted. It also gave them the option of keeping the premium the same, but reducing the sum assured.

Our adjudicator didn't think Mr and Mrs H's complaint should be upheld. He was satisfied that the whole-of-life policy was suitable for what Mr and Mrs H needed at the time. The documentation for the policy and the advisor's recommendations letter showed that the policy would be reviewed after the first ten years and this could mean that the premium may need to go up to keep the same level of cover. Canada Life's advisor looked at Mr and Mrs H's income and outgoings at the time and the policy was affordable for them.

Mr and Mrs H's premiums have been invested to buy units in two different funds. These units are then sold to provide the ongoing cost of life cover through the time the policy is in place. Because of the way the premiums are invested, a surrender value can build-up. Surrendering the policy would mean that Mr and Mrs H no longer have the life cover the policy gives them. The policy is called a whole-of-life plan not because the premiums will never change, but because it has no set term and ends when the policy holder dies. For Mr and Mrs H's policy, this would be when the second of them passes away.

Mr and Mrs H didn't accept the adjudicator's findings as they don't think the whole-of-life policy was right for them.

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 this, I agree with the conclusions reached by the adjudicator for the same reasons.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs H to accept or reject my decision before 15 February 2016.

Cathy Bovan
ombudsman