

complaint

Miss T complains Zurich Assurance Ltd (Zurich) mis-sold her a convertible level-term assurance policy, claiming it was required by her mortgage provider. She says she had no need for this cover, and wouldn't have taken it out if she'd knew it wasn't compulsory.

background

The background and circumstances of this complaint are set out within my provisional decision of 18 December 2015. A copy of this is attached and forms part of this decision.

Zurich and Miss T accepted the conclusions of my provisional decision.

my findings

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

For the reasons outlined in my provisional decision, I am satisfied this complaint should be upheld, and that Zurich should pay Miss T the compensation previously outlined.

my final decision

I uphold this complaint and instruct Zurich Assurance Ltd to refund the premiums Miss T paid on this policy, plus interest of 8% simple per annum, from the date each premium was paid until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 15 February 2016.

Tony Moss
ombudsman

provisional decision

complaint

Miss T complains Zurich Assurance Ltd (Zurich) mis-sold her a convertible level-term assurance policy, the advisor claiming it was required by her mortgage provider. She says she had no need for this cover, and wouldn't have taken it out if she'd known it wasn't compulsory.

background

Miss T said she saw an advisor at her local bank last year, to discuss her retirement finances, and he said she should never have been sold this policy as she had no need for it. Up to that point she'd always thought it was a condition of the mortgage.

Zurich rejected her complaint. It said its advisor hadn't said this, and the documentation made this clear.

It said the recommendation was suitable as Miss T had a need to pay off the mortgage in the event of her death so her family wouldn't be responsible for the mortgage payments while her estate was being sorted out.

An adjudicator at this service didn't feel her complaint should be upheld.

She said there was no evidence Zurich told Miss T she was required to take out life cover as a condition of her mortgage. And she was satisfied the policy was suitable for Miss T's circumstances as it matched the size and duration of her mortgage.

As no agreement has been reached, this case has been passed to me for review.

my provisional findings

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

Firstly, I do not feel there is sufficient evidence for me to reach a safe conclusion on the issue of whether the advisor told Miss T that life insurance was compulsory.

I don't doubt Miss T's recollection but I recognise Zurich is equally adamant its advisor wouldn't have said this, and didn't do so. In this context, I don't feel it would be fair or reasonable to take a view, in the absence of any supporting evidence.

However, I have serious doubts as to whether the advisor's recommendation was suitable for Miss T's circumstances. Miss T was single, living alone and with no dependants when she took this policy out.

Miss T says the advisor brought this issue up, and the fact find seems to support this. The advisor records: "Need identified – to pay off loan in the event of death. Options discussed Term Assurance, Decreasing term Assurance".

In my view, it seems most likely it was the advisor who recommended Miss T needed this cover rather than this being something she was actively looking for.

In this context, the question of whether she needed this cover becomes crucial to this complaint.

I say this because term assurance can be a very appropriate and suitable recommendation to protect a mortgage. Typically, parents may wish to ensure their children inherit a debt-free property, while a couple may wish to ensure a surviving partner doesn't have to sell the property if one dies.

But in this case, I've seen no special circumstances to suggest Miss T would have wanted or needed to ensure any potential beneficiaries of her will needed to receive her property mortgage-free, or that this was a sufficient priority to warrant taking out, and paying for this policy.

Zurich pointed out Miss T took out a short-term life assurance policy previously in connection with her parents' property, suggesting she understood the importance of life cover.

But, in my view, Miss T satisfactorily explained the particular circumstances which led to her paying for this policy on her parents' property, and that she cancelled this policy as soon as those circumstances changed. As a result, I do not think that policy is relevant to the issue at stake here.

It also said decreasing term cover had been discussed, but Miss T had chosen convertible level term cover as she planned to increase her borrowings at some point. In my view, it's highly arguable whether a level-term policy was a suitable recommendation for this objective, but I'm not persuaded it affects the overall issue as to whether Miss T had a need for any mortgage cover.

Zurich also said, in defence of its recommendation, it can take some time to sell a property if the owner dies, and so if Miss T hadn't got cover in place this would have placed a burden on her parents or other beneficiaries.

I've seen no evidence to support this contention, and I'm not persuaded it is a sufficient reason to warrant paying for life insurance for 20 years, if it is not needed for any other reason.

Overall, I'm not persuaded Miss T had a clear and convincing need for this policy. In this situation I believe the advisor should, at least, have outlined the advantages and disadvantages of his recommendation, and made clear she only 'needed' this cover if she wanted to ensure her estate would be-mortgage free in the event of her death.

Miss T says she only recently discovered that any outstanding mortgage could've been paid off from the sale of the property if she had died, and therefore this cover was not necessary.

From what I've read, I doubt the advisor made this clear to her at the time and, given her particular circumstances, I believe he should've done.

If he had done, I think it's most likely she wouldn't have taken out this policy.

my provisional decision

I currently intend to uphold this complaint.

I currently intend to instruct Zurich Assurance Ltd to refund the premiums Miss T paid on this policy, plus interest of 8% simple per annum, from the date each premium was paid until the date of settlement.

Tony Moss
ombudsman