

complaint

Mr A feels that The Prudential Assurance Company Limited (the business) has not administered his policy in line with the terms and conditions. In 2014 he asked to convert his life insurance policy into an investment one, but was eventually given quotes for various combined life insurance and investment plans requiring much higher premiums.

background

The background and circumstances of this complaint are set out within my provisional decision of 17 June 2015. A copy of this is attached and forms part of this decision.

The consumer disagreed with my provisional decision.

I have also carefully considered the consumer's latest points. He said:

- The business didn't understand the policy it inherited, and didn't administer it correctly
- It tried to terminate his policy, without giving him his automatic renewal rights
- The conversion clause was pointless unless it had a worthwhile meaning
- He only kept renewing because of the conversion option. If he had only wanted life insurance much cheaper cover was available elsewhere
- The business's renewal quotes were so ludicrous that the Financial Ombudsman Service should fine them
- He had paid over £10,000 in premiums which must have resulted in some ultimate investment value
- He was satisfied with how the policy had been originally administered so he was only asking for a refund of his premiums since the current business had taken charge of it

my findings

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

For the reasons I gave in my provisional decision I still do not agree that the business did anything wrong in how it operated the policy, including its interpretation of the disputed conversion option.

From the evidence I have seen, it administered the policy according to the original terms and conditions including using Mr A's premiums to pay for the rising cost of the life insurance cover.

This meant that when Mr A enquired about converting his policy into a savings investment plan there was no residual value in his 'pot'. In this context, the 'convertibility' option merely offered the opportunity to start a new savings plan without medical underwriting.

The £10,000 paid in premiums had bought 25 years life insurance.

I agree that the business's quotes weren't suitable, and that the service Mr A received from the business was very poor. I also agree that it failed to take appropriate action as a result of his phone calls.

I note that Mr A suggests that this service should fine the business. However, that is something outside our remit. Our responsibility is to compensate consumers who have suffered loss or distress and inconvenience as a result of a business's mistakes, and I feel that my proposed compensation does this.

Finally, I note that Mr A says he stopped any further premium payments from July onwards, so my final decision reflects this information.

my final decision

In the light of the above, I do not intend to uphold Mr A's complaint that the business failed to administer his policy in line with its terms and conditions.

However, I do instruct The Prudential Assurance Company Limited to pay Mr A £250 for the trouble and inconvenience it caused throughout this process.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr A to accept or reject my decision before 24 August 2015.

Tony Moss
ombudsman

COPY OF PROVISIONAL DECISION

complaint

Mr A feels that The Prudential Assurance Company Limited (the business) has not administered his policy in line with the terms and conditions. In 2014 he asked to convert his life insurance policy into an investment one, but was eventually given quotes for various combined life insurance and investment plans requiring much higher premiums.

background

Mr A met with an advisor in 1989 to buy a life insurance policy. He was told this policy had a clause that would allow him to convert it into one with an increasing savings component alongside reducing life cover. In 2014 he began ringing the business to ask for advice on how to convert his policy into a savings one.

The business failed to respond on the first two occasions, and subsequently sent him quotes for various plans involving his premiums rising from around £70 a month to over £600. It did not respond to the detailed questions he asked about his policies.

Mr A complained to the business, saying that it wasn't adhering to the policy terms. The business rejected this. It said that because any new policy would provide an investment return in addition to life cover, it would need to change substantially.

The business upheld his complaint about poor service, acknowledging that it had failed to respond to his initial requests and sent out incorrect information. It paid him £100 accordingly.

Mr A didn't agree with this decision, and referred his complaint to this service.

He said that the business had failed to administer the policy correctly. It had also failed to explain how the convertibility option worked, and ignored his instruction to stop taking any further premiums until he had received this information.

Our adjudicator didn't uphold the complaint. Having looked at the evidence, he didn't feel that the clause implied a straight conversion.

He admitted that the terms and conditions weren't very clear, but felt that they did indicate that a new policy might be required if the cover was amended.

As no agreement has been reached, the complaint has been referred to me for review.

my provisional findings

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

Firstly, I would like to express my sympathy with Mr A in his attempts to get a clear and unambiguous explanation from the business. Putting aside the delays and unanswered phone calls for which they have apologised, I found its responses complicated and confusing, consistently failing to address the points Mr A raised.

Mr A clearly stated, in a series of calls, that he wanted information on how his policy's convertibility option worked.

He said that he no longer had any need or desire for life insurance, and that he wished to convert the 'money he had accumulated' in his policy to be moved into a savings plan, and that he was happy to top this up 'a bit' with some ongoing payments till his retirement in seven years' time.

Having listened to the phone calls, I cannot agree that Mr A explicitly asked for his premiums to be cancelled. But he did make it clear, in my view, that he had no further need for life insurance, and that he was seeking urgent clarification of his options before deciding whether to carry on paying his premiums.

I wonder whether the complaint would have reached this stage had the business provided a simple explanation as to how Mr A's renewable term assurance policy works in the first place.

I hope it will be helpful to do this.

This type of policy provides ongoing life insurance with a cut-off point every five years at which time it can be automatically renewed for a further five years without any further medical consideration. Premiums are typically low in the early years but can rise steeply later on.

The premiums pay for the ongoing life cover so there is typically no investment being built up.

Therefore when Mr A wanted to convert his policy from one which only provided life cover to one aimed at investment, there wouldn't have been any residual money sitting in his 'pot'.

Also, the convertibility option refers to the policyholder's ability to switch from an insurance only plan to one offering a mix of investment and life assurance (without medical underwriting). It's not possible to switch to an investment-only plan.

So, it wasn't possible for Mr A to convert this policy into one which would meet his new requirements.

Unfortunately, the business did not explain any of the above, and eventually sent him policy quotes involving vastly-increased premiums for cover he had said he didn't want.

my provisional decision

In the light of the above, I do not intend to uphold Mr A's complaint that the business failed to administer his policy in line with its terms and conditions.

I do, however, believe that Mr A would have cancelled his premiums far earlier had the business provided a clear and prompt response to his request for information about the convertibility option.

I intend to instruct The Prudential Assurance Company Limited to refund any premiums paid from June 2014 onwards, plus 8% simple interest from the date each payment was made to the date of this settlement.

I also intend to instruct The Prudential Assurance Company Limited to pay Mr A £250 for the trouble and distress caused throughout this process.

Tony Moss
ombudsman