

complaint

Mr F has complained about a whole of life plan recommended by Barclays Insurance Services Company Limited in 1990. He's said he wasn't made sufficiently aware at the time of the advice that the premium would need to increase in the future to maintain the plan benefits.

background

The adjudicator thought the complaint should partially succeed. In summary, he didn't think the plan recommendation was unsuitable for Mr F's circumstances and objectives at the time of advice. However, the service provided by Barclays in dealing with Mr F's complaint hadn't been satisfactory. As such, he recommended an award of £300 for the trouble and upset this had caused.

The business accepted the adjudicator's findings. But it added that the adviser wouldn't have been able to predict with any accuracy what premiums Mr F would be paying 25 years from the date of the sale.

Mr F didn't agree, though. He felt that Barclays' comment that it couldn't have forecast the later premium increases wasn't right. He said that interest rate movements are ultimately what has impacted both the present and future values of the policy. He said it was straightforward to forecast a future predicted interest rate path in terms of both increases and decreases.

Mr F thought similarities could be drawn between this and the second-death insurance policies and the interest rate swap mis-selling scandal. The basic premise was that "retail" clients were looking for protection should interest rates rise. But interest rates fell to 0.5% and led to the bankruptcy of many small business and individuals who took out these policies.

Given the interest rate swap mis-selling scandal, PPI mis-selling and issues with the London Interbank Offer Rate (LIBOR), Mr F thought the way Barclays dealt with his complaint was unacceptable. Mr F said that Barclays was authorised by the Financial Conduct Authority (FCA) and so in handling his concerns, the principles of business as stipulated by the FCA were applicable.

As agreement hasn't been reached on the matter, it's been referred to me for review.

my findings

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

To firstly address the matter of the policy's suitability for Mr F and his wife, I've noted the concerns expressed by Mr F that he would still like the cover, but that the premiums have become too expensive. I don't think it's therefore likely that Mr F wanted a term assurance policy for any particular length of time. I note that the mortgage was already covered and so it wasn't designed to protect that.

I therefore think it's likely Mr F was happy with the concept of a whole of life policy. And I must therefore determine whether he was provided with sufficient information to be able to

realise that the policy was reviewable and that his premiums might increase in the future. In doing so, I'd firstly say that the requirements in 1990 were somewhat different to those now in place. For example, there was at that point no requirement for a letter of recommendation. But I'd nevertheless expect there to be evidence on the file that the policy reviews were disclosed to Mr F.

Having reviewed the point of sale documentation submitted by the policy provider, I can see that the reviews were set out in the policy terms. I must also take account of the fact that Mr F has on each occasion until 2014 accepted the required increase in the premium to maintain the sum assured at review points during the policy's history. I appreciate that it might have been the amount by which the premium needed to increase or the sum assured would be reduced which finally led him to complain in 2014. But I do think it's likely that, if Mr F hadn't in fact been aware of its reviewable nature, he would have queried this sooner. Some of the later increases couldn't, for example, have been explained by the policy's indexation.

As with the adjudicator, I've noted the comment that this policy was designed to cover an Inheritance Tax (IHT) liability. In such circumstances, I might normally question the use of a "maximum cover" policy to fulfil this need. This is because the likelihood of the premiums needing to increase in the future is higher as the amount put towards the investment part is lower. But this then also brings me to the issue of the possible alternatives for Mr F if indeed he didn't want a policy where the premiums could increase by such a large amount. It's already been established that a term assurance policy isn't likely to have been what he wanted. But a non-reviewable policy, or even one set up on the standard cover basis, is likely to have been significantly more expensive.

And so I've considered Mr F's other options at the time, and in particular have noted the comments in the email correspondence with our adjudicator. Mr F said that when he started his business, he borrowed the exact amount of the policy's sum assured - £328,800 - from Barclays and that, due to the interest payments, and in Mr F's own words, things were very tight.

This to me raises two particular issues. The first rather obvious one is that the life cover was initially designed for a different purpose – loan repayment. I see that Mr F later retracted this and said that the policy was designed to cover the IHT liability. But the earlier comments are very specific recollections about the amount of the business loan and the interest payable. And Mr F has said that, because of the low premium for such a high level of cover, this made the policy attractive. I also note that the premiums would have been guaranteed (other than the indexation increases) for ten years. This might have fulfilled a need to protect a temporary business loan on a low cost basis.

But even if the policy was specifically dedicated to covering the IHT liability rather than the business loan, Mr F has confirmed that anything other than the maximum cover premium would have been prohibitively expensive. So I think it's unlikely therefore that Mr F would have been willing or able to afford the premiums for a non-reviewable or standard cover policy for the amount of cover he sought. Mr F's options were to accept a much reduced sum assured or take a degree of risk to try to sustain the sum assured.

If I'm to also factor in the possibility that the policy might have been – at least to begin with - designed to protect a business loan for a low cost, I think it's entirely plausible Mr F was willing to accept the reviewable policy on its maximum cover basis.

my final decision

I realise Mr F will be disappointed with this outcome, but my decision is that I don't uphold the complaint on the grounds of suitability. I do note, however, that Barclays Insurance Services Company Limited has offered Mr F £300 in respect of the way it's handled the complaint. I leave it to Mr F to decide whether to accept this.

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

Philip Miller
ombudsman