

complaint

Mrs J's complaint about The Royal London Mutual Insurance Society Limited concerns a life insurance policy on the life of her late mother. She is dissatisfied because the policy paid out less on her mother's death than she had been expecting.

background

The policy was originally taken out in 1938 with a predecessor of Royal London to provide a fixed amount of cover (around £20) payable on death whenever it occurred.

In response to an enquiry in 1999, the insurer wrote a letter saying the death benefit on the policy was significantly higher than the amount of cover set at outset (around £200). But when Mrs J's mother died a number of years later, Royal London only paid out the original amount. In response to her complaint, Royal London said it had previously applied discretionary bonuses to claims on this type of policy and that is why the death benefit quoted in 1999 was higher. But due to more recent economic conditions, Royal London said it took the decision in 2011 to stop adding discretionary bonuses.

I have previously issued my provisional decision on this complaint explaining why I did not consider Mrs J's complaint should be upheld. In summary, I felt Royal London was entitled to take the decision it did to stop paying discretionary bonuses. I noted that the 1999 letter did not explain the claim value was not guaranteed. But I also felt that all of the relevant correspondence, including the original policy documentation and a letter Royal London says was sent to all policyholders in 2011 explaining discretionary bonuses were being withdrawn, should be read in its entirety. And after doing this, I did not believe it could reasonably be argued that Royal London provided misleading information or should be held responsible for any confusion or raised expectations.

I invited both parties to let me have any further comments they wished to make. Royal London confirmed it had nothing further to add. Mrs J disagreed with my provisional decision, saying the policy was taken to cover funeral expenses and her mother wouldn't have continued paying into it for over 50 years if she had realised the sum payable would be so small. The 1999 letter did not include any warning that a bonus might not be paid and she considers it should be honoured, saying her mother did not receive the 2011 letter. She also commented that Royal London makes healthy profits and should not treat its elderly customers in this way.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having reconsidered the case, including Mrs J's response to my provisional decision, my conclusions remain as set out in my provisional decision for essentially the same reasons.

I do understand Mrs J's dissatisfaction at the amount paid out and her views that Royal London could have afforded to pay more. But this does not change the fact that what it paid out was the amount it was required to under the terms of the policy. It could have opted to pay more, but took the decision not to. In my view, and however unpalatable it may seem, that was a commercial decision Royal London was entitled to take.

I appreciate why Mrs J would now question whether the policy was worthwhile in view of the amount it paid, but it was taken 75 years ago and the death benefit would have been worth considerably more at that time. The fact there was no specific provision for this to increase would have been reflected in the premium and it is likely Mrs J's mother would have needed to pay more for a policy with a benefit that was set to rise.

If read on its own, I accept the 1999 letter could possibly have been misinterpreted. But it is my understanding this was issued in response to a request for the death benefit on the policy. The figure quoted was the amount that would have been paid out at that time and was therefore factually correct.

With the benefit of hindsight, it is easy to say Royal London should have included warnings that the figure included a bonus that was not guaranteed. But I understand discretionary bonuses had been paid on this type of policy for some time and there was no particular reason in 1999 to believe that would change several years later. I cannot know with any certainty whether Mrs J's mother ever received the letter Royal London says was sent to all policyholders in 2011, or that anyone would have realised its importance if it had been received. But by writing to policyholders in this way, I am satisfied that Royal London took appropriate steps when it made the decision to stop paying discretionary bonuses.

It is unfortunate if, following the death of Mrs J's mother, Royal London initially indicated on the telephone that the death benefit may be higher than quoted in 1999. But I have seen nothing to suggest any misunderstanding on this issue was not quickly rectified or caused anyone to enter into any other arrangements they would not have otherwise made.

my final decision

My final decision is that I do not uphold this complaint or make any award.

Jim Biles
ombudsman