complaint

Ms F has complained that she was mis-sold two savings policies and two whole-of-life policies by Sun Life Assurance Company of Canada (U.K.) Limited. She doesn't feel they were suitable for her circumstances at the point of sale.

background

An adjudicator from this service investigated and noted Ms F was sold the following:

Policy one - this was a £2,500 lump sum investment into a flexi bond. It was recommended in 1992 and surrendered in 1999 for £4,896. At the time of sale Ms F was in her mid-forties, single with two dependents, and was earning £18,170 per annum.

Policy two – this was a flexi savings policy which was set up in 1992 with a monthly premium of £30 with a sum assured of £4,460. It was surrendered in September 1997 for £1,935.15.

Policy three – this was a whole-of-life ("WOL") policy that had a sum assured of £53,412.

Policy four – this was a WOL policy providing critical illness cover with a sum assured of £100,000. It was recorded she wanted it for the purpose of clearing her mortgage and any remaining debts as she was self-employed. At this time Ms F was 53 and earning £38,000, and one of her children was an adult and the second in their late teens.

The adjudicator felt that policies one and two were suitable for savings requirements. But he said that the WOL policies were not appropriate and he believed two term assurance policies would have been more suitable.

Sun Life didn't agree. It stated there was no evidence that Ms F required the cover for a specific term. Instead it said that as WOL, policies three and four allowed her to have the flexibility to decide when to cancel the cover.

The CMC representing Ms F said it maintained that policies one and two were also unsuitable.

As no agreement could be agreed, the complaint has been passed to me for a decision to be made.

my findings

I have considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I agree with the adjudicator's conclusions and for much the same reasons.

The CMC says that neither of Ms F's savings investments were suitable for her. In particular, it says she was not financially literate nor in a position to take the level of risk they posed.

I've considered these points and disagree. Ms F had wanted growth and savings, and I believe she was willing to take an element of risk to achieve that. I note the life cover element of the policies made them tax qualifying and so they were an efficient was of saving. Also having a young family, I feel that the life cover was of benefit too.

Regarding policies three and four, I'm unable to say there was a need for protection for WOL.

When policy three was taken out, Ms F's objectives were to achieve family protection. She had two young children and the cover was for their benefit whilst dependent upon her. And so I think it's likely the cover was only needed until Ms F's youngest child reached the age of 21. This is supported by the fact she surrendered some of her policies when her children reached that age.

In place of policy three, I think a more suitable recommendation would have been a level cover term assurance to run until her children were 21.

I'm not convinced that WOL cover was required for policy four either. The reason recorded for the policy was that she was self-employed and would want to pay off debt if she fell ill. This is a logical reason for cover to be put in place, but as it was for protection in the event of lost income, I feel cover was needed only for a term that would run to retirement age.

Overall, I'm satisfied that policies one and two were appropriate for Ms F's savings requirements. But to put things right I feel Sun Life should put Ms F in a position as though she had taken term assurances in place of policies three and four.

my final decision

My final decision is that I uphold the complaint against Sun Life Assurance Company of Canada (U.K.) Limited.

I direct it to:

- Refund the difference in premium cost between policy three, and an equivalent level term assurance policy for a term to run until Ms F's youngest child was 21 years old.
- Refund the difference in premium cost between policy four, and an equivalent level term assurance policy for a term to run until Ms F's retirement age.
- Apply 8% simple interest per annum to the refund from the date each premium was paid until the date of settlement.

Any surrender values received by Ms F from policies three and four should be deducted from the refund as appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 9 November 2015.

Ross Hammond
ombudsman