

complaint

Mrs E complains about the advice she received from Sun Life Assurance Company of Canada (U.K.) Limited to take out a Capital Builder plan which she believes was unsuitable because a ten year extendable term policy should have been recommended instead of a 20 year term as the charges would have been lower. Also, Mrs E's attitude to risk was not established.

background

Mrs E's representative, on her behalf, raised concerns that the policy was mis-sold. In its final response letter, Sun Life disagreed.

The complaint was subsequently referred to this service. Our adjudicator upheld the complaint as he was of the opinion that Mrs E should have been recommended an extendable ten year policy. He recommended that Sun Life should compare Mrs E's policy to that of a ten year extendable policy and make good any loss.

Sun Life did not agree with the adjudicator's findings, stating that Mrs E had maintained the policy until maturity, suggesting that a ten year term would not have been more suitable. Also it said that the adviser noted at the time that Mrs E could afford to create capital prior to retirement which suggests she was aware of the different term options.

As agreement could not be reached, this complaint has been passed to me for review.

my findings

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

In the main, the complaint concerns the term of the investment. I have considered suitability of this type of investment and in other respects the savings plan appears appropriate.

Mrs E was in her mid 30's with a good job and significant salary. She had more than enough spare income to make the investment and I see no particular reason why she could not take the risk associated with the investment in order to hopefully generate higher returns over the longer term.

So, I must decide whether it was appropriate that Mrs E was recommended a 20 year policy when she considers a 10 year policy would have been better for her, as it supplied greater flexibility at probably lower cost.

In my view there does not seem any reason why such a long term inflexible plan was recommended.

Although married, Mrs E had no dependants and was a long way from retirement. So I think that a shorter term plan would have been better – allowing her the flexibility to amend her investment strategy if necessary but to allow her to extend the plan if she wanted.

So I agree that a 10 year plan would have been the suitable recommendation and redress should be based on that.

I do not believe the fact that Mrs E has maintained her plan for the full 20 year term indicates that she wanted such a long term plan or it was appropriate. Mrs E would have little option to maintain it to obtain the full return on her premiums.

I am firmly of the view that an approach with at least some flexibility would have been better and I have no reason to believe that Mrs E would not have extended her investment at the 10 year point if longer term savings were still her aim at the time.

my final decision

I uphold the complaint on the basis that the term is too long. I therefore require Sun Life Assurance Company of Canada (U.K.) Limited to carry out the following calculation and pay any redress to Mrs E.

I believe fair and reasonable redress would be to undertake a comparison with 10 year policies (using the same investment funds for comparison). It should be assumed that Mrs E would have taken out a 10 year policy initially and then have extended this via a new 10 year term when the first 10 year period came to an end.

The total value calculated can then be compared to the surrender value of Mrs E's policy. If this surrender value is less than the value calculated the difference should be paid to Mrs E together with interest on that sum at 8% simple from the date of surrender of the investment until the date of settlement.

If Sun Life believes it should deduct tax from the interest element of this award it may do so, provided it then supplies Mrs E with the relevant tax certificate.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs E to accept or reject my decision before 30 December 2015.

Simon Rawle
ombudsman