

complaint

Mr C's complaint is that The Prudential Assurance Company Limited ("Prudential") refuses to reinstate the life cover plan attached to his pension.

background

I set out my provisional decision on 29 January 2015, a copy of which is attached to this decision and forms part of my final decision here. I concluded that the complaint should be upheld because there was a failure on the part of Prudential to alert Mr C of the adverse life cover implications of ceasing premiums to his policy.

Mr C added the following:

- He was adamant that he had not received the letter of 10 October 2013.
- He had met with a Prudential adviser a week before the call and mentioned his intention to suspend premiums. She had said there would be no problems with this and made no mention of the potential impact on the life cover.

In response Prudential made the following comments:

- It acknowledged that it could have clarified during the October 2013 call whether all premiums were to stop, or if the life cover was to be maintained.
- The previous decisions from the ombudsman service imply that where a letter is correctly addressed it is on the balance of probabilities deemed to have been received by the addressee.
- It believed Mr C had received the letter sent to him in October 2013 as he expressed dissatisfaction at having to complete application forms which it said would have been enclosed.
- Additionally, it did not agree that the letter from 10 October 2013 was vague or misleading. Had Mr C only wanted pension contributions to stop he would have ensured the life cover premiums had continued to be paid from his bank account.
- The Prudential adviser with whom Mr C met prior to the cessation of premiums made no record of him discussing ceasing contributions.
- Although the call recording from 2010 could not be reviewed the call note suggests he was made aware that he could cease pension contributions but continue with the attached life cover.

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 done so and considered the response's to my provisional decision I have not been persuaded to amend my conclusions as set out in my provisional decision.

I do not find the argument that Mr C's dissatisfaction about the application forms shows that he received the letter of October 2013 compelling. Although the application may have been included with the October letter, my view is that this dissatisfaction stemmed from an application sent to Mr C in December 2013, when he asked to restart contributions.

Whilst this service will usually, on the balance of probability, accept that correctly addressed letters are received at the intended address, there is in this case reason to doubt this.

Prudential considers that the letter was sufficiently clear to show that if life cover premiums were stopped these could not be restarted.

My view though is that if this letter could not be misinterpreted, then, assuming Mr C had received it, I think it reasonable to conclude he would have contacted Prudential to clarify that the life cover would continue. As he did not this would suggest that either he did not receive it or, if he did, the wording was unclear.

Notwithstanding the above my primary concern is that Mr C should have been made aware of the implications of ceasing premiums in the call or at the meeting with the Prudential representative the day before. Mr C refers to this meeting in the call, and states that he had been told that it would not be a problem. He has said that he explained to the representative that he intended to cease making contributions for a time. The representative has said '*as per my usual practice I would have highlighted this valuable life cover during the meeting*'.

In my opinion, given the closeness of the meeting to when Mr C made the call to freeze payments and his comments during the call, on the balance of probabilities, this would have been discussed. Following on from this, in the knowledge of what Mr C intended to do, the representative ought to have made clear that he should stipulate that he wanted life cover to continue. Had the representative highlighted the value of the life cover in this context I would have expected her to ensure he understood that this would be lost if premiums did not continue.

Prudential does not disagree that during the call in which premiums were suspended its representative could have pointed out that the life cover would cease and could not be restarted. I think that given this would not have been onerous, such action would represent good practice, and any client contacting it on such a matter would have a reasonable expectation that they would be informed of significant factors such as this.

Prudential takes the view that its subsequent letter, which Mr C disputes having received, would have given him knowledge of the implications, thereby negating the need to mention it in the telephone call. Working on the assumption that Mr C received this, which as I explain above is not necessarily the case, I remain of the view that the wording is insufficiently clear.

In my opinion, the wording suggests Mr C was given a choice whether to continue with the life cover ('*if you choose to stop the cover*'). However in his case he was not given a choice at the time he made the request; his instruction was taken without further enquiry. On the basis of Mr C having received this letter, I think it reasonable for Mr C to have assumed that as he had not proactively chosen to stop the life cover, he need not be further concerned.

In other words, the letter clearly implies that a positive act was required from Mr C in order for his life cover to cease. It does not make clear that the default position, in the event that premiums to the policy ceased, was that life cover also lapses.

In my view, if at any point Prudential had invited Mr C to maintain the life cover (during the advice meeting or in the telephone call), and confirmed the full implications of ceasing premiums, he would have opted to continue the life cover.

I acknowledge Prudential's point regarding Mr C receiving bank statements which would not have shown the life cover premium being paid; however this was within a relatively short timeframe and I would not necessarily expect an individual to immediately note the absence

of a payment from their bank statement, particularly given the relatively small amount concerned.

my final decision

For the reasons set out above, I uphold Mr C's complaint against The Prudential Assurance Company Limited.

As it proposed in its submission to this service of 9 February 2015, I direct it to provide Mr C with a written assurance that it will honour any life cover provisions Mr C would have benefited from, prior to its lapse, should a valid claim be made within the remaining term, less the value of the unpaid premiums.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr C to accept or reject my decision before 20 April 2015.

Terry Connor
ombudsman

Provisional Decision

complaint

Mr C's complaint is that The Prudential Assurance Company Limited refuses to reinstate the life cover plan attached to his pension.

background

Mr C telephoned Prudential in October 2013 to advise that he wished to stop paying the premium to his pension policy for the next couple of months. During this telephone conversation Mr C was not informed that his life cover would be removed and that he would not be able to reinstate it.

Subsequently, Prudential wrote to Mr C with the options he had if he stopped paying his pension premiums. The letter also said that if he had a life cover contract, he may be able to continue it without paying the pension premiums. Mr C has said he did not receive this letter.

In December 2013 Mr C realised that his life cover had been cancelled. He then raised a complaint with Prudential. Prudential apologised to Mr C for failing to inform him during the telephone conversation that his life cover would also be stopped and that he would not be able to reinstate it. Prudential offered Mr C £50 for this error but maintained that he would not be able to reinstate the life cover.

The complaint was reviewed by one of our adjudicators. She concluded that the complaint should be upheld. In summary, she considered that:

- Prudential did not inform Mr C that the life cover would be stopped if he ceased premium contributions and he would not be able to reinstate it.
- The letter sent in October 2013 advising Mr C to contact Prudential if he reconsidered his decision or required any more information about his options was vague and misleading.
- The option of continuing the life cover could have been made clearer to Mr C; for example, Prudential could reasonably have informed him (during the telephone conversation) of how he would be able to continue life cover despite stopping the pension contributions.
- Had Mr C been correctly informed that his life cover would have also stopped, he would have chosen to keep making the life cover payments per month, as this was something that he could afford.

Prudential disagreed with the adjudicator's view. As well as reiterating previous points, it also said:

- If it was Mr C's specific intention to continue with his life cover contributions only, he should have specifically mentioned this to the call handler.
- Its letter was informative as to the implications of what would happen if life cover was stopped and to contact it for further information.
- The implications of stopping life cover were set out in the plans terms and conditions.

After further correspondence was exchanged, Prudential said that Mr C had previously requested the cessation of his contributions in 2010 and that he was therefore aware that the life cover contributions were separate.

In light of this, the adjudicator contacted Mr C to enquire about his request to stop the pension contributions in 2010. Mr C confirmed that he did call Prudential to inform it that he wished to stop contributions to his pension for a while; however this never went ahead as it was no longer necessary. He also clarified that he was not aware he had to specify continuing with life cover contributions at the time.

Prudential was unable to provide the relevant call recording from this telephone conversation. However, it did submit the call note. The adjudicator was of the view that the call notes provided did not support Prudential's stance that Mr C had requested to only stop his pension contributions in 2010 and continue with the life cover contribution.

The complaint was referred to me for a final decision.

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 done so, I have come to the same conclusions as the adjudicator and for the same reasons.

I understand that Prudential sent Mr C a letter in October 2013 after his telephone call giving him options as to how to proceed. I am persuaded that this letter could have contained clearer instructions on what he should do in respect of the pension contributions and to the life cover premium – particularly, as Prudential have acknowledged, he had not been made aware of his options during the telephone call.

Although I appreciate that Mr C says he did not receive this letter, I agree with the adjudicator that it was not specific enough in informing Mr C that his life cover would be stopped without proactive instructions to the contrary from Mr C. In other words, I am not persuaded that even if Mr C had received the letter, he would inevitably have realised he had to contact Prudential if he wanted to maintain life cover.

I note the letter said *'If you choose to stop the cover you will not be able to restart it'*. In my opinion, this could reasonably be interpreted to mean that in the absence of an instruction to cease life cover, it would automatically continue even if pension contributions have temporarily stopped.

Had Mr C been specifically informed that his life cover would be stopped in the absence of instructions to the contrary, I am persuaded that, on balance, he would have chosen to keep making the life cover payments, as this was something that he could afford.

I have also looked at the call note from the telephone call of 2010. Given the contents of the note I am minded to conclude that there must have been something that prompted Mr C to specify he wished to continue with the life cover contributions. On the balance of probability, I believe that Prudential's representative must have asked Mr C if he wished to stop both pension and life cover contributions or just pension contributions.

Further, his more recent telephone conversation (October 2013) focused on pension contributions only. I am satisfied that if he wanted to cease his life cover contributions he would have said so, along the lines of the telephone call that took place in 2010. However, it is acknowledged that the adviser did not prompt Mr C in the October 2013 call to indicate a

specific preference in respect of his life cover or indicate to Mr C that the default position would be that his life cover would cease.

For the reasons set out above, I have provisionally concluded that Mr C's should be given the opportunity to continue with the same level of life cover for the same cost.

my provisional decision

I provisionally uphold this complaint against The Prudential Assurance Company Limited.

I understand it is not possible to reinstate life cover on Mr C's policy. That being the case, and providing Mr C backdates the relevant contributions, The Prudential Assurance Company Limited should arrange a separate life assurance policy offering as far as possible the same terms as his original life cover and at the same cost to Mr C.

Terry Connor
ombudsman