complaint

Mr and Mrs L have complained about two reviewable whole-of-life assurance policies sold by Friends Life Services Limited in 1992. They say the policies were unsuitable because their recorded objective was to protect their mortgage in the event of death or critical illness.

background

I set out the background to this complaint, and my provisional conclusions, in the provisional decision I issued in November 2015 (copy attached).

Both parties responded to confirm they had nothing to add.

my findings

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

As neither party has made any further representations, my opinion remains as set out in the provisional decision.

my final decision

I do not uphold the complaint and I make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs L to accept or reject my decision before 5 February 2016.

Doug Mansell
ombudsman

COPY PROVISIONAL DECISION

complaint

Mr and Mrs L have complained about two reviewable whole-of-life assurance policies sold by Friends Life Services Limited in 1992. They say the policies were unsuitable because their recorded objective was to protect their mortgage in the event of death or critical illness.

background

Mr L was sold a policy with a sum assured of about £64,000, with 50% payable on diagnosis of a listed critical illness. The initial premium was just under £30 a month. The premium increased to over £60 in 2008 following a review. Mrs L's policy has a sum assured of £100,000, also with 50% payable on diagnosis of a listed critical illness. The initial premium was about £21 a month, and I understand this hasn't changed.

The adjudicator thought the complaint should be upheld. Mr and Mrs L had a £42,000 interest only mortgage. The evidence from the time of the sale was that they wanted life and critical illness cover for this. So it was not suitable to recommend whole-of-life policies for this purpose. Instead, they should have been advised to take out a joint-life term assurance with critical illness for the amount of the mortgage.

Friends Life didn't agree. It noted that Mr and Mrs L wanted to replace the policies they previously held, but had cancelled in error. These were whole-of-life policies. Friends Life also thought the level of cover taken out was to provide the optimum protection within a budget of around £50 a month. It also noted Mr L chose to keep the level of cover under his policy, despite having to pay an increased premium, when it was reviewed in 2008. Friends Life thinks this shows he did want the cover the policy provided.

As no agreement has been reached, the case has been passed to me for a final decision.

my provisional findings

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

The evidence from the time of the policies started is somewhat limited. But is seems what prompted Mr and Mrs L to seek advice was them cancelling an existing policy by mistake. According to the adviser's notes, this was a whole-of-life policy. So I think a key priority for Mr and Mrs L was to replace this lost cover.

But it seems they also wanted to take out critical illness cover, which was not included in the previous policy. It was recorded they wanted it for their mortgage.

So from the available evidence, I don't think Mr and Mrs L only wanted cover for the term of their mortgage, certainly not as far as life cover was concerned. So I don't think a whole-of-life policy was unsuitable.

However, what is less clear is why two single life policies were sold, with different sums assured. Unfortunately, there's little information from the time of the sale to explain this.

But on the other hand, I think it's reasonable to assume there would have been some discussion about this. I note Friends Life's comment that the policies may have been set up to keep within a budget of around £50 a month. While there's no definite evidence of this, I think it's a plausible explanation.

I also think it's likely the level of cover, including critical illness for half the amount of life cover, would have been discussed and agreed. This is information that was clearly available to Mr and Mrs L throughout the advice process and when they received the policy documentation. If they only wanted cover enough cover to repay their mortgage, I can see no reason why they wouldn't have asked for this.

Mr L would also have been given a reminder of the cover being provided by his policy when it was reviewed in 2008. This gave him the opportunity of considering if it still met his needs. In the event, Mr L decided to maintain the existing level of cover, and pay a higher premium to do so.

In the circumstances, I am unable to find that the policies did not meet Mr and Mrs L's needs at the time they were sold. So I do not think they were unsuitable.

my provisional decision

I do not uphold the complaint and I make no award.

Doug Mansell
ombudsman