

complaint

Mr K complains that Friends Life Limited has collected and invested the wrong monthly premium for his equity-linked life policy.

background

Mr K took out the policy in 1977 which provides a guaranteed cash sum on death. In early 2015 he received a letter from the business notifying him that the premiums would be increasing to £6 a month due to the ending of Life Assurance Premium Relief (LAPR). Mr K replied to say that he was already paying £6 a month. Friends reviewed its records and these showed that it had received a net premium of 5.25 until May 2012 when it was increased to £6. It sent Mr K a cheque for £24.75 to cover the overpayments he had made since May 2012.

Mr K refused the cheque and said that his premium was £6 plus the LAPR and he expressed his concern that the business had been underpaying money into his policy. The business said that the premium was £6 after LAPR. Mr K didn't agree and brought the matter to this service.

Our adjudicator didn't recommend that the complaint be upheld. She reviewed the policy documentation and found it to be unclear and misleading. She noted that a review document from 1994 states that the monthly premium is £6, "*(including contribution for any additional benefits, and before life assurance premium relief (LAPR) which is paid by the Inland Revenue. Currently they pay 12.5% of your premium)*". It also states that Mr K's "*monthly investment contribution [is] £6.72*".

However, she was satisfied the Friend's records showed that Mr K had been paying only £5.25 a month until May 2012 and its offer to refund the additional 25p a month premium paid by Mr K from then was fair and reasonable.

She also obtained confirmation that the business had been paying £6.72 into Mr K's policy and the additional 72p was an enhanced allocation rate on top of the £6 premium. Mr K didn't agree and said he was unhappy that the administration of his policy prior to 2008 when it had passed to Friends had not been investigated. He also said he had no recollection of changing his standing order to £6 which happened to be around the time he changed his bank.

my findings

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

I can appreciate Mr K's concerns, but I am satisfied that the policy has been administered correctly and that the business has been paying £6.72 into it each month. As such I don't consider he has lost out. I appreciate his concerns that the business has not been able to access details of his payments prior to 2008 when it took over the policy, but I don't consider there are any grounds to consider it had been handled incorrectly before then.

LAPR was a form of tax relief which the government withdrew with effect from April 2015. It provided tax relief on premiums at a rate of 12.5% and was calculated by reference to the gross premium. In practice the policyholder paid the net sum over to the insurance company

and the government made up the balance. In Mr K's case the gross premium was £6 and he paid only 87.5% of the cost which was £5.25.

If Mr K is correct that the amount he was due to pay was £6 then this would mean that the gross premium would have been £6.86. I have seen nothing in the papers to indicate that the premium was £6.86. I agree the wording on the review documents is not a model of clarity, but I am satisfied that the gross premium was £6. The business has explained that it added 72p as an enhanced allocation rate and I can understand that this added to the confusion.

I have not seen any bank statement showing that Mr K was paying £6 prior to May 2012 and as Friends' records show it was only receiving £5.25 I cannot conclude that he was overpaying prior to 2012. I can't say why the standing order was increased, but I am satisfied that it should not have been and I consider Friends' offer to refund the overpaid premiums is fair and reasonable.

my final decision

My final decision is that I do not uphold this complaint and I leave it to Mr K to decide if he wishes to accept the refund of premiums offered by Friends Life Limited. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 26 October 2015.

Ivor Graham
ombudsman