

complaint

Mrs C's complains Openwork Market Solutions Ltd (OMS) recommended she cancel her whole of life plan prior to its ten year policy review and start a term assurance plan for 15 years. She had actually wanted cover for the whole of her life.

background

In 2002 Mrs C took out a whole of life policy. She was told the sum assured of £100,000 would reduce significantly at the tenth year review date (2012).

Knowing the premiums would increase Mrs C discussed changing her whole of life policy with the adviser who sold her the WOL policy. The adviser recommended a 15 year level term policy from her current provider but it declined to insure her. As the adviser was tied to that provider, she was referred to OMS to find her an appropriate policy.

So she took further advice from OMS in 2009. It recommended a level term life and critical illness policy (CIC) to Mrs C. The sum assured was £95,000 over an agreed term of 15 years with a monthly premium of around £150. Mrs C took out the policy in 2010 and surrendered the whole of life policy.

Mrs C complained to the business. It said she was fully informed about the options available and the rationale for deciding whether to replace her existing cover before the review date of the whole of life plan. Having been made fully aware of all the options, Mrs C made an informed decision to set up a new plan in 2010.

The complaint was considered by an adjudicator with this service. She upheld the complaint in part. The adjudicator felt the adviser did not explain all the options to Mrs C in the phone call. The adviser did not provide Mrs C with all the facts and the potential consequences of her not waiting for the ten year review in 2012. The adjudicator was satisfied Mrs C only realised the consequences of what she had done some time afterwards and that the choice was taken from her when she talked to the WOL policy provider to find out more about the WOL she stopped. The adjudicator recommended OMS pay Mrs C £500.

OMS responded by reiterating its view Mrs C basically chose what she wanted and did not need to take out the life cover. It also said the recommended trouble and upset payment was excessive.

As the business did not agree with the adjudicator's opinion the complaint has come to me for a final decision.

my findings

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

As the owner of a small business I believe that Mrs C would want protection against CIC and life cover. In 2002 she took out a WOL policy with Zurich. It gave her £100,000 cover for both CIC and life assurance. That level of cover would last for 10 years and then it would be reduced to just over £38,000. She was told her premiums would have to increase to maintain a higher level of cover.

Advice

The OMS adviser appeared to base his advice on notes provided by Mrs C's former adviser and did not undertake a full fact find for Mrs C. The advice was provided in a telephone consultation which lasted less than 20 minutes. At the start of the conversation it was made clear that the former advisor could only provide policies from a single provider. This was why OMS had been asked to find Mrs W a suitable policy. In the consultation the OMS adviser discussed what had been recommended by her original adviser but did not really ask her what she wanted or why. The advisor explained how Mrs C's current policy worked but didn't explain the consequences of terminating the policy.

Mrs C did not know why £95,000 was recommended by the previous adviser. She had a bank loan for £50,000 secured against her home so that was not the reason why £95,000 of cover was recommended. The OMS adviser was going to check why that level of cover was recommended but I have no evidence that this happened.

The 15 year term would take Mrs C to retirement age which seems reasonable.

In the phone call, the OMS adviser explained head injuries and glaucoma would be excluded from the new policy as these were existing conditions. Mrs C said that she understood this but said it was very unfair as these injuries were the result of a criminal action. The OMS adviser recommended she should take the new policy as any further illnesses would be excluded from a policy taken out at a later date. But I think that it would have been reasonable to discuss with Mrs C why she felt the need to change the policy such a long time before the review on her whole of life policy was due. This did not take place.

It appears to me the OMS adviser is clearly steering Mrs C to a policy within a framework which has been drawn up by Mrs C's former adviser. The adviser does not discuss with Mrs C what she really wants.

Choice

Mrs C would have received an illustration and key facts document with details of the policy. She would also have had to sign the application form. As she had a policy in place she did not have to cancel that policy and start a new policy. So I have to assume she was happy with the new arrangement put to her by the advisor.

Affordability

Mrs C was concerned about the rising cost of premiums. As these would probably increase at every review it seems that it is unlikely that Mrs C would have been able to continue with the plan indefinitely. At each review the sum assured would have kept going down until it had no value. Alternatively it would have cost hundreds of pounds more each month for the premiums to maintain a level of £100,000 for life cover and CIC. So it seems reasonable that she would consider an alternative to a WOL policy but it is not clear it was necessary for Mrs C to change policy at that point.

The cost of the new policy would be more than her current policy but would be fixed for the 15 year term. In the phone call Mrs C said she had another life plan. The OMS adviser said he did look into that plan but it wouldn't be any cheaper to set up a plan with CIC on its own in fact it would probably be more expensive. Mrs C then confirmed she would be happy to pay more saying "Yeah that's ok then".

From this I have to conclude that Mrs C did want CIC and life cover and she understood that the plan would be more expensive.

During the underwriting process the premium was revised and went up by more than £20. Mrs C continued with the policy despite this increase so I think it's reasonable to conclude she felt this was affordable.

In summary, I have come to the conclusion Mrs C did want cover and understood the terms and cost of the level term assurance policy she was sold. However I do think that the advice she received was poor and therefore I uphold that part of her complaint. As the policy she was sold was generally suitable for Mrs C's needs, it would not be appropriate to require the business to pay redress for financial loss.

Our adjudicator recommended that the business pay Mrs C £500 for the trouble and upset it caused her. I agree that the business should make that payment to Mrs C. In my view it did not provide Mrs C with a clear explanation of its advice and I do not think it should have just followed the recommendations put to it by Mrs C's former adviser.

my final decision

For the reasons set out above I partially uphold the complaint that Mrs C bought.

I direct Openwork Market Solutions Ltd to make a payment of £500 to Mrs C in recognition of the trouble and upset it caused.

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

Sue Rossiter
ombudsman