Financial Ombudsman Service

complaint

Mrs A's representative has said that Sun Life Assurance Company of Canada (U.K.) Limited (Sun Life) mis-sold her life insurance policy, citing various reasons:

- Mrs A was single with no dependants and therefore did not need the life cover
- There is no evidence to explain why such a high level of life cover was required
- There is no evidence to show that she could maintain the premiums

background

In 1993, Mrs A was 24, single and with no dependants. She had a mortgage which was fully protected by an endowment policy.

She met an adviser from Sun Life and was recommended a unit linked, whole of life policy to provide around £80,000 cover, payable in the event of her death for a premium of £20.

Mrs A's premium and sum assured mistakenly increased on the first anniversary of the policy. She cancelled the policy in 2001, receiving a surrender sum of £656.63.

Mrs A's complaint was rejected by Sun Life so she brought it to this service.

An adjudicator felt there was limited information about Mrs A's monthly outgoings, and wasn't convinced the policy was affordable. He felt there was insufficient evidence to show how the level of cover was determined and whether it was suitable for her needs.

He concluded that the policy sold wasn't suitable for her needs.

He proposed that Sun Life refund her premiums and pay appropriate interest on these from the date each premium was paid till the date of settlement. Sun Life should then deduct the value of Mrs A's surrender value from this final sum.

Sun Life disagreed. It said Mrs A had signed the documentation which showed she wanted life insurance at that time. She maintained the life cover for over eight years, and so it was reasonable to assume she wanted to keep it until she chose to surrender it.

As no agreement has been reached, the complaint has been referred to me to review.

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 acknowledge Sun Life's argument that Mrs A signed to confirm she had read the relevant documentation and maintained the policy for more than eight years. But this does not affect the core issue in this complaint: was it appropriate to recommend Mrs A take out the policy in the first place?

Based on the evidence I've seen, I do not accept it was reasonable or appropriate.

Mrs A was 24, single and with no dependants. In these circumstances it's rarely appropriate to recommend life insurance unless there are clearly identified reasons why such a person would want to ensure someone benefitted from a pay-out in the event of their death.

I've seen no evidence that the advisor sought to establish, or did establish who Mrs A might have wanted to have benefit from this £80,000 life insurance policy.

I can see no evidence to justify this recommendation.

my final decision

For the reasons above, I instruct Sun Life Assurance Company of Canada (U.K.) Limited to pay Mrs A compensation of F, where F equals:

A = the cost of all the premiums paid on this policy

B = interest on these premiums, at the rate of 15% simple per annum up to 1 April 1993 and 8% simple per annum from that date on, from the date each premium was paid until the date of surrender of the policy

C = the surrender value of the policy

D = A + B – C

E = interest on D at the rate of 8% simple per annum from the date of surrender to the date of settlement of this complaint

F = D + E

If Sun Life considers that it is legally required to deduct income tax from the interest, it must send a tax deduction certificate with payment. Mrs A can reclaim the tax from HM Revenue and Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 13 November 2015.

Tony Moss
ombudsman