complaint

Mr M complains Northern Bank Limited (Northern) mis-sold him a life assurance policy as the reviewable nature was not fully explained.

background

The background and circumstances of this complaint are set out within my provisional decision of 14 December 2015. A copy of this is attached and forms part of this decision.

Mr M disagreed with my conclusions. He said while he was aware the premiums might increase to some extent, he wasn't aware, or made aware that they could rise so dramatically. He felt these risks should have been spelt out much more clearly.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint, including Mr M's recent comments.

From what I've read, it looks as if Mr M actively chose to take out the policy set up on a maximum cover basis, meaning premiums were very likely to rise – and this was explained in the documentation.

I acknowledge he says he didn't realise the extent to which this might happen, and this wasn't properly explained by the advisor, and I don't doubt his recollection on this issue.

But I simply don't feel there is sufficient evidence to safely conclude Northern did something wrong. I therefore don't believe it would be fair or reasonable to instruct it to pay Mr M compensation or reconstruct his policy going forward.

my final decision

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 February 2016.
award.

Tony Moss
ombudsman

copy of provisional decision

complaint

Mr M complains Northern Bank Limited (Northern) mis-sold him a life assurance policy as the reviewable nature was not fully explained.

background

Mr M took out the policy to cover for an inheritance tax liability (IHT) of £80,000, on a maximum cover basis.

Mr M recently found the policy was reviewable and doesn't recall being informed of this risk.

An adjudicator at this service felt his complaint should succeed as it was unlikely Mr M had requested maximum cover, and didn't feel the implications of this basis of cover had been adequately explained. He said standard cover was usually the most appropriate form of cover when a policy is designed for IHT purposes.

Northern disagreed. It said their records showed Mr M had requested this form of cover and the details of the meeting confirmed the liability Mr M faced.

As no agreement has been made, the complaint has been brought to me for review.

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.

Firstly, I agree with the adjudicator that a life policy set up on standard cover terms is usually the most suitable recommendation when a customer is primarily concerned with their IHT liability. The cost of the premiums will be far less likely to rise steeply after the regular reviews start to take place, making it more affordable to retain the sum assured, and hence the IHT protection.

But my role, in considering this complaint, is to decide whether I believe Northern made a mistake (or did something wrong) when it advised Mr M to take out this policy. And for reasons I shall explain, I am not persuaded there is sufficient evidence to safely conclude it did so.

Firstly, I think the documentation clearly sets out how the proposed policy would work, including the implications of maximum cover.

Mr M was a deputy bank manager at the time of this sale. This doesn't mean he had detailed knowledge of life insurance policies, but he would have understood the importance of reading all the relevant documentation and carefully considering any recommendations. This should've included asking further questions if he was unsure about anything.

In this context, I feel the Fact Find and subsequent Suitability Letter clearly explain future premium rises were very likely if the policy was set up on a maximum cover basis.

This documentation also strongly suggests it was Mr M who chose the maximum cover option, possibly before the meeting with the advisor, rather than this being the advisor's recommendation.

I also feel the surrounding paperwork indicates Mr M was given sufficient information to make an informed decision about whether to go ahead with a policy set up on this basis. In my view, It wouldn't therefore be fair or reasonable to hold Northern responsible for his decision to do so.

my provisional decision

For the reasons described, I do not currently intend to uphold this complaint or make any award.

Tony Moss
ombudsman