

The complaint

Mr R complains about the actions of ST&R Limited ('STAR') in relation to the sale and ongoing customer service for his term assurance policy.

What happened

STAR operates as an insurance broker, offering sales assistance to customers via telephone.

In early June 2017, Mr R spoke with STAR by telephone to arrange life assurance cover for funeral expenses. In an initial call, he agreed to a term assurance policy with Aviva with a sum assured of £12,396, a £10 monthly premium and a term up to February 2046.

Later that month, Mr R returned to STAR as he had found further competitive prices for term assurance elsewhere. He was then requoted for a cheaper Aviva term assurance policy, with a £9,976 sum assured, a £7 monthly premium and a term up to 2041.

In October 2021, Mr R pursued a separate complaint with Aviva. Mr R called STAR again in December 2021 and spoke with a manager who he says promised she would liaise with him in the New Year.

On 7 February 2022, STAR received notice from Aviva that Mr R had cancelled his policy due to lapsed premiums. STAR contacted Mr R in relation to reinstating the policy, by helping him put the direct debit mandate back in place with Aviva.

However, Mr R then made further calls to sales advisers in the following months, who did not know of the manager he had first spoken with. It was only in May 2022 that he was able to speak with the same person - she confirmed she was a manager and she would address his concerns.

In the interim, Mr R contacted Aviva about the issues he was having with STAR. It forwarded the complaint to STAR in May 2022.

On 10 May 2022, the manager wrote to Mr R to say she formally apologised for confusion with the sales manager and sales agent. She confirmed she was in fact a complaints manager – but she recognised this had caused Mr R confusion being told otherwise.

On 28 May 2022, STAR wrote to Mr R again to explain it could not otherwise uphold his complaint. It had paid £30 in relation to the Aviva policy reinstatement and £50 as a goodwill gesture for the upset he had been caused due to its customer service failings. It did not believe it needed to do anything further.

Mr R referred his complaint to this service. He spoke to two of our complaint handlers, where he clarified his complaint further. He made comments, including:

- he didn't properly understand what he was sold – because everything was rushed;

- it's only later become apparent that he holds term assurance cover, not whole of life cover – so he could be left with a shortfall in cover if he outlives the policy term;
- the adviser didn't tell him at the time that the cover was term assurance;
- he remains unhappy with the lack of customer service from December 2021;
- a manager said she'd call him in the New Year to help set up more comprehensive cover – but nothing happened for four months;
- he was thereafter told that the manager wasn't a manager at all;
- he had always understood that the business he was talking to was Aviva, not STAR – yet when he received documentation, he realised STAR was operating as a broker.

STAR commented that it hadn't told Mr R that it would set up other cover (i.e. whole of life cover) for him, but merely that this type of cover was an option – albeit for a far greater cost.

An investigator from this service considered the complaint, but she did not think it ought to succeed. Though she appreciated Mr R felt the sale of the policy was rushed through during the call he had with the adviser, she did not believe the policy was mis-sold. The adviser had explained the cost and the extent of the cover.

Furthermore, Mr R had called STAR two weeks later to discuss competitive prices, and he was given a cheaper quote for a policy with smaller sum assured. During that call, he had told the adviser about calling Aviva to cancel the first policy. So, our investigator was satisfied that Mr R was reasonably aware that STAR was a distinct business from Aviva.

In respect of the customer service issues of late 2021 and early 2022, our investigator agreed that STAR delayed getting back to Mr R and also provided confusion about the manager's role. But she felt the £80 paid to Mr R along with the two apologies he had received was sufficient in the circumstances to adequately compensate Mr R.

Mr R said he wanted his complaint to be passed to an ombudsman. He made a number of further points in a call with our investigator. I have listened to that telephone call in full, I will not be setting out a transcript here, but I will highlight the key submissions made during the call, for Mr R's benefit. In summary, Mr R said:

- our investigator had referred to the person he dealt with in December 2021 as a 'complaints manager', but she was a 'manager';
- to him, that shows the investigator hasn't truly understood or investigated the complaint;
- he feels the investigator must have missed vital information – or she has been misled by STAR;
- if the investigator agreed he had been given the run around, then more compensation should be paid;
- STAR gave conflicting information as to whether the person he first dealt with was a manager or not – and that remains an unacceptable way to behave;
- the manager told him she would sort things out, he placed trust in her and she did not act on her promise;
- instead, he had to persistently chase STAR, not the other way around;
- the goodwill gesture payment for delays does not adequately resolve his complaint – those would have been paid anyway;
- the manager went back on her word – and the payment did not properly address that;
- what the manager did was combine the payments together, leaving him short of compensation;
- the £50 is unacceptable and so is the £30;
- he does appreciate that not all situations will warrant financial payment, but he feels like STAR hasn't treated him with any respect and it has played games with him;

- he still ought to be paid additional compensation;
- he doesn't trust STAR despite having paid for cover arranged by it since 2017;
- his policy is on hold – where does that leave him?;
- as far as he is concerned, he still doesn't want term assurance – as the policy could end with no value;
- and a funeral may cost far more in the future – so the policy is worthless;
- he questions if STAR will ever treat him fairly going forward;
- it isn't just about mistakes - it is about the way he is negatively viewed by the business;
- he isn't merely being difficult; he just holds genuine ongoing concerns about the way STAR behaves;
- and so, he remains unhappy about the compensation payments he received;
- he isn't now bothered about the sale in 2017 – he is merely concerned about the customer service in 2021 and 2022.

Mr R also made a complaint about the customer service he had received from the Financial Ombudsman Service. That complaint was passed to one of our team managers to investigate separately.

STAR didn't make any other comments. Thereafter, this complaint was passed to me.

What I've decided – and why

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

I can see how frustrating that this process has been for Mr R and how he continues to be particularly troubled about STAR and the policy he holds. I don't wish for my decision to cause him any additional upset, but I am not going to uphold this complaint. I'll explain my reasons for that below.

I note that during the call with our investigator, Mr R said he no longer holds concerns about matters from 2017. But he did raise his concerns about the actions of STAR in 2017 as part of the original complaint, and he reiterated the same with our previous investigator when the complaint was referred here in the first instance. So for completeness, I've looked at what went on in 2017.

I don't believe that STAR misled Mr R about the nature of the cover it could assist him with. It provided a services and costs document which clearly showed the types of cover (including term assurance, serious and critical illness cover, permanent health insurance, family income benefit, accident sickness and unemployment cover) it was able to conduct searches for. It also explained how it undertook a wide ranging market search to find the most competitive price on these policies.

I do believe that STAR made it sufficiently clear that it wasn't operating as a broker or any type of appointed representative of Aviva. When Mr R cancelled the first policy from 2 June 2017 in favour of the cheaper policy on 13 June 2017, it was clear that he knew and understood Aviva operated independently.

So, I am not of the view that STAR acted unreasonably or unfairly in relation to arranging the cover for Mr R in 2017.

Where I think the confusion has since arisen is that Mr R has recently become aware of how term assurance policies operate – and he feels this is contrary to his interests.

I believe it may help if I explain the material differences between the two types of policy.

Term assurance policies provide an agreed amount of insurance cover – life assurance or critical illness cover most commonly – for a set ‘term’ which is the agreed number of years determined at the outset. It is the cheapest form of cover, and usually taken out as a form of protection for large financial commitments, such as mortgages and loans. Alternatively, a lower sum assured can be chosen for the purpose of providing a defined lump sum for financial planning, such as for funeral expenses. This is why Mr R required his cover.

Many insurers have a maximum age for which life assurance can be provided, and the terms are usually chosen between 5 and 40 years (though this may also vary). Importantly, if the policyholder survives the entire term, the policy ends with no value at all.

Whole of life policies also provide life assurance at a greater cost. However, they operate as investment policies whereby some of each month’s policy premium pays for life cover, and the remainder is invested to pay for future life assurance. They are designed to cover (if the policy remains in force) the entire policyholder’s life.

Premiums are invested in a policy’s underlying investment fund. Deductions are then made to pay for the costs involved. These include items such as providing the life cover and administering the policy. Any money not used for this builds up in the investment pot. The policy will have a surrender value (though for the policy’s early years this may be negligible); it is broadly the valuation of the investment pot, less applicable fees plus accrued bonuses.

As a policyholder ages, the cost of life cover increases – so more of the monthly payment goes to pay for life cover and less is invested. Those life cover charges can exceed the amount of the monthly premium, and when that happens the money in the investment pot is used to supplement the premium to pay the life cover cost. The policy may also then be ‘reviewed’ to test if the policy is able to continue providing the chosen level of life cover. If the insurer decides the policy isn’t sustainable at its current premium, a policyholder will be offered the option of reducing the sum assured or paying a higher premium.

Though whole of life policies offer the potential for cover up until the event of death, they are inherently more expensive than term assurance. It’s also important to note that STAR could not have offered Mr R a quote for whole of life cover in any event – it was not a product type within the range it could offer quotes for.

I know Mr R has told our investigator that he is unsure how to proceed with his life assurance – if at all. The Financial Ombudsman Service provides informal dispute resolution. My remit is to make findings on what I believe to be fair and reasonable to both parties in the circumstances. We can’t provide financial advice or tell Mr R what he may want to do next. Instead, Mr R may wish to seek independent financial advice about his options and needs for funeral expenses cover.

STAR cannot offer Mr R that assistance either. Its service documentation is clear that it does not provide independent financial advice. It offers recommendations and searches for products as a broker, at a customer’s request. Once cover is set up, STAR has discharged its ongoing duty to the consumer, as policies will be administered by a third party insurer.

I have also gone on to look at the issues of customer service Mr R experienced in late 2021 and early 2022 with STAR. I know this is the crux of his ongoing concerns and Mr R feels he hasn’t been treated with respect or fairness.

STAR has been able to evidence its entire communication record with Mr R. What is clear

from the evidence is that from 11 March 2022 to 28 April 2022, Mr R was frustrated on several occasions of placing calls and receiving calls from STAR where he wasn't able to get anywhere or have his concerns addressed adequately.

I agree that some compensation was due for those errors and STAR has already paid £50 for the frustration it caused, as well as offering two apologies.

The additional £30 goes above and beyond what I would expect – though I am pleased to see STAR has honoured it. The £30 is separate – it relates to a payment to help Mr R reinstate his cover. On 9 May 2022, Aviva contacted STAR to tell it Mr R's policy had lapsed. That same day the manager he had originally spoken with assisted Mr R.

The cover remain lapsed on 16 May 2022, and again the manager from STAR liaised with him to assist him in restarting it. By 28 May 2022, Mr R had confirmed he was struggling to get his cover reinstated as Aviva would not take partial payment of premium arrears (which were £28 by this time). STAR then sent Mr R £30 on 26 May 2022 to his bank account to assist him with the arrears and getting the cover back in place.

I find the actions of the manager to be a kind and fair gesture when STAR had no liability to fund Mr R's policy for him or to assist him with reinstatement. And though Mr R says now that STAR agreed to provide him quotes for alternative cover, he also says he doesn't want term assurance. In any event, the manager (who does indeed refer to her job title as 'complaints manager') explained that STAR couldn't offer whole of life cover. She merely clarified what that type of cover was, and why it costs more.

What this service does is consider if a business has treated a customer unfairly because of actions or inactions. And if it has done so, we then go on to consider what ought to be done to put the mistake(s) right. In this case, that was for STAR to provide timely and supportive customer service for Mr R – and whilst it did so in relation to helping him resolve his premium arrears with Aviva, it failed to keep promises to contact him when it said it would.

As well as putting right any financial losses in a complaint (though there are none in this circumstance), we also consider the emotional or practical impact of any errors on a complainant – in this case, Mr R. In doing so, we do not fine or punish businesses; we are not a regulator, that duty falls to the Financial Conduct Authority.

It may be helpful for Mr R to review to the guidance available on our website around the amounts and types of awards made in instances of upset, trouble, inconvenience and distress caused by businesses in the complaints we see at this service. Alternatively, our investigator can send this to Mr R through the post if he wishes.

Taking into account the impact of the misinformation about the claim value, I believe the payment of £50 was reasonable in the circumstances; failing to return calls to discuss Mr R's policy with him caused Mr R identifiable upset and frustration. The matter also took several weeks to be rectified, and it had a notable short-term impact on Mr R. The amount of £50 (and in total, £80) is an amount I believe appropriate for administrative errors of this nature, and I do not make any other award.

My final decision

I recognise my decision won't be what Mr R was hoping for. However, for the reasons I've given, I cannot uphold this complaint or make any award. I believe ST&R Limited to have paid him appropriate compensation for its administrative failings. I don't otherwise find it to have acted unfairly in the arranging or administration of Mr R's term assurance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 28 July 2023.

Jo Storey
Ombudsman