

The complaint

Mr and Mrs B complain that after their joint Estate Planning Cover (“EPC”) policy was cancelled/lapsed, Scottish Widows Limited (“the business”) replaced it with a policy in Mrs B’s name only, for a term of 10 years.

What happened

In 2008, Mr and Mrs B took out a renewable EPC policy that was due for renewal in 2018 – 10 years after it commenced, and every 10 years thereafter, until the event of a claim.

Due to a systems error, the policy didn’t renew because the renewal notice wasn’t sent as it should’ve done. When the error was discovered, a letter was sent to the affected customers. The letter prompted Mr and Mrs B to contact the business if they wanted to continue with their cover.

According to the business, Mr and Mrs B contacted it for a quote, and agreed to proceed with the higher premium, which would’ve gone up and went up due to their ages. In this case, it went up based on the 2018 rates.

Based on the above, Mr and Mrs B were written to in March 2022, but due to an IT issue, the policy was set as a single life policy. The policy was re-issued as a joint policy to start in May 2022, however the policy still showed incorrectly on their policy documents. In due course, apology letters from the business – dated May 2022 – were sent to Mr and Mrs B as a result.

The business made clear that Mr and Mrs B remained covered under the same terms as the original policy, despite the IT/administrative issue. It also decided not to take any more premiums until the issue was sorted and won’t ask for the missed premiums back either. However, once the issue has been fixed, going forward the premiums will become payable.

In response to Mr and Mrs B’s complaint, the business (partially) upheld the complaint in relation to the poor service provided. However, it doesn’t accept that it didn’t send additional letters that it said it did. It paid Mr and Mrs B £100 compensation for the distress and inconvenience caused as result of its poor service.

One of our investigators considered the complaint but didn’t think it should be upheld. In summary, he said:

- The 2008 policy schedule made clear that the EPC policy provided level term cover for a term of 10 years – not whole of life cover as suggested by Mr and Mrs B.
- The EPC policy had an option to renew the policy once it reached the end of its term. The business accepts that it should’ve written to Mr and Mrs B in 2018 (about renewing the policy) but didn’t until 2022.
- Although Mr and Mrs B say that they didn’t receive the new quotes (after confirming that they wanted to renew the EPC policy), based on the available evidence he’s satisfied that they were sent the relevant correspondence by the business in March 2022 – sent to the same address that our service is using to correspond with them.
- Despite Mr and Mrs B’s concerns, the business has confirmed that the policy is a

joint policy but due to an IT issue it was showing as a single policy in Mrs B's name only – but this wasn't correct.

- Mr and Mrs B weren't charged double for their premiums. The business has refunded the April, May and June 2022 premiums and has undertaken not to take any further premiums until the IT/administrative issue has been fixed.
- The business has also paid Mr and Mrs B £100 compensation for the distress and inconvenience caused, which is, based on our awards, broadly fair and reasonable.

Mr and Mrs B disagreed with the investigator's view and asked for an ombudsman's decision. In summary, they said:

- They would never have taken out a 10-year policy in 2008 to cover an inheritance tax (IHT) liability, Mr B was in his mid-forties at the time.
- The business may have letters, but they doubt if they were actually sent – after all, why would they complain if they had received the letters?
- They noticed that monthly premiums weren't being collected, but they had no idea that this was as a result of compensation for the technical issues faced by the policy – they hadn't been notified about this.
- They question what happens in 10 years-time, if one of them is still alive? Are they meant to get a new policy at aged 70 and 80 respectively? Or will the policy be extended again?
- If they have to take out a new policy, they feel like they've just paid thousands of pounds into a policy for no reason.
- Having recently taken financial advice, they feel like the 2008 policy was unsuitable for their requirements. A policy taken out to cover an IHT liability should've been set up for life, and not 10 years.
- Even with the opportunity to extend, the premiums after 10 years are likely to be more expensive, that's if the policy provider even accepts their request to extend the policy. A whole of life policy is now likely to cost them £1,000 a month.

The investigator having considered the additional points wasn't persuaded to change his mind. In summary, he said:

- Despite what Mr and Mrs B say, the paperwork still shows that they took out the 10-year policy.
- He can't blame the business if she didn't receive the letters. He's satisfied they were sent by the business.
- He can't advise Mr and Mrs B as to what they should do moving forward.
- If Mr and Mrs B now want to complain about suitability, they'll have to give the business a chance to investigate and respond to that complaint first before it can be considered by our service.

As no agreement has been reached the matter has been passed to me for review.

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.

Having done so, I agree with the investigator's conclusion for much the same reasons. I'm not going to uphold this complaint.

Because the business upheld the complaint, the key issue for me to consider is redress and whether or not it's reasonable in the circumstances.

On the face of the evidence, and on balance, despite what the parties say, I think the redress paid by the business is broadly fair and reasonable in the circumstances.

Before I explain why this is the case, I think it's important for me to recognise the strength of feeling Mr and Mrs B have about this matter. They have provided detailed submissions to support the complaint, which I've read and considered carefully. However, I hope they won't take the fact my findings focus on what I consider to be the central issues, and not in as much detail, as a discourtesy.

The purpose of my decision isn't to address every single point raised under a separate subject heading, or undertake a forensic analysis of the evidence, it's not what I'm required to do in order to reach a decision in this case. I appreciate this can be frustrating, but it doesn't mean I'm not considering the pertinent points in this case.

My role is to consider the evidence presented by Mr and Mrs B and the business, and reach what I think is an independent, fair, and reasonable decision based on the facts of the case – I'm not here to take sides.

In deciding what's fair and reasonable, I must consider the relevant law, regulation, and best industry practice, but perhaps unlike a court or tribunal I'm not bound by this. It's for me to decide, based on the information I've been given, what's more likely than not to have happened.

There's no dispute that the business made an error when it failed to write to Mr and Mrs B in 2018, reminding them of their option to extend the policy. I note it has apologised for this and paid Mr and Mrs B £100 compensation for the distress and inconvenience caused. I note the business has already offered to extend/extended the policy based on the 2018 policy, and has made clear that premiums were likely to increase in any event given Mr and Mrs B's age – so in the circumstances I think £100 compensation is broadly fair and reasonable.

In other words, the business has placed them in the position they would've been in but for the error. I'm satisfied that Mr and Mrs B would've extended the policy if they'd been given the opportunity to do so – which is what the business ultimately gave them an opportunity to do anyway. I don't think Mr and Mrs B having to pay higher premiums means that the business has done anything wrong – this was inevitable given that they were older.

Despite what Mr and Mrs B say, I'm satisfied that the policy wasn't a whole of life policy. It was a 10-year level term policy with an opportunity to extend. I'm mindful of Mr and Mrs B's comments regarding why they would take out a 10-year term policy for the purposes of IHT liability – but that's not a question I can answer in this decision. In other words, despite what Mr and Mrs B say, it's not clear why they took out the policy – for IHT purposes – in the first place in 2008, but that's not the subject of this complaint therefore I'm not deciding whether or not it was the right or wrong thing to do.

I note that the business hasn't had an opportunity to consider this part of the complaint. However, in the circumstances, I agree with the investigator that Mr and Mrs B would need to give the business an opportunity to consider that particular complaint point regarding suitability and respond accordingly, before they decide to refer the complaint to our service.

In the circumstances, and on balance, I think it's more likely (than not) that the correspondence containing the new quotes was sent by the business. It's possible that they

were received but ignored as unimportant. In other words, it's highly unlikely that the documents were prepared, and correctly addressed but not sent to Mr and Mrs B.

It's possible that there was an issue with the post, and that the relevant documentation wasn't delivered – but I've seen no evidence that there was. Even if there was a problem, and the correspondence wasn't delivered, I can't blame the business for the shortcomings of a third-party postal service.

Mr and Mrs B are of course free to take financial advice before deciding what they should do if they haven't already done so. That's entirely a matter for them – it's not for me to hypothesise/explain what they should (and shouldn't) do in another 10 years.

In the circumstances, and on balance, I'm satisfied that the £100 compensation paid for the trouble and upset is broadly fair and reasonable in the circumstances.

In this instance, and on balance, I don't think the business needs to do anymore. I appreciate Mr and Mrs B will be thoroughly unhappy I've reached the same conclusion as the investigator, and I realise my decision isn't what they want to hear.

My final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs B to accept or reject my decision before 22 August 2023.

Dara Islam
Ombudsman