

## The complaint

Mrs E complains about a cancellation fee Co-op Funeral Plans Limited has said will be applied to a refund of plan payments. Mrs E is represented by her daughter, Miss E.

## What happened

In brief summary, Mrs E and her late husband took out funeral plans with Co-op. As a consequence of Co-op's recent customer service and delivery of her husband's funeral plan, Mrs E has lost faith in Co-op to deliver her plan to the standards she expects.

Mrs E told Co-op she wanted to cancel her plan. Co-op explained that this could be done, but its standard cancellation fee of £250 would be deducted from her refund. Mrs E expressed her dissatisfaction about this, but Co-op's maintained its stance.

Mrs E remained unhappy, so she asked the Financial Ombudsman Service to look into things. Our investigator didn't uphold her complaint. He recognised why Mrs E wanted to cancel her plan, but said that as Co-op hadn't done anything wrong regarding Mrs E's plan, he thought it was reasonable for the cancellation fee to be charged.

Mrs E didn't accept our investigator's view and asked for an ombudsman to review the complaint.

At the beginning of November 2023, I issued a provisional decision. The substance of that decision is quoted below. Having considered all the evidence, I said:

*'This complaint concerns Co-op's intention to apply its standard cancellation fee to Mrs E's refund. But I think the circumstances leading to Mrs E's request to cancel – themselves the subject of a separate complaint – are relevant.*

*'Mrs E has been happy with her plan for a number of years. She's had no reason to reconsider the arrangements made, or think she might be better served elsewhere – until her husband died and Mrs E had first-hand experience of Co-op as a provider at the time of need.*

*'It's not disputed there were issues with the arrangements for and delivery of Mr E's funeral. Co-op has responded to those concerns separately, with recompense and compensation being offered. But I think the relevance of those issues is they're the catalyst for Mrs E's change of heart in respect of Co-op delivering her funeral and caring for her family when the time comes. And in the circumstances, I can understand why Mrs E no longer wishes to continue her relationship with Co-op and why she thinks she shouldn't be charged a cancellation fee.*

*'I've looked at Co-op's terms and conditions. It's clear these allow Co-op to charge a cancellation fee where cancellation is requested more than 30 days after the plan start date. So what I have to think about is whether that term has been fairly and reasonably applied in the particular circumstances of Mrs E's complaint.*

*'And having thought about that, I'm presently minded to say it isn't. To my mind, Co-op has focused on its terms and conditions at the expense of its customer service. Mrs E has lost faith in Co-op as a provider. The relationship between the parties has broken down and Mrs E no longer wishes to deal with Co-op or think about Co-op dealing with her and her family in the future. I think Co-op should have recognised the very specific reasons Mrs E has for wishing to cancel and in terms of customer service, waived its cancellation fee.'*

*'So I'm intending to uphold this complaint and tell Co-op that it should cancel Mrs E's plan and refund the payments made without applying its usual cancellation fee. I think this would be a fair outcome in the circumstances of this specific complaint.'*

To put things right I explained I was intending to direct Co-op to:

- cancel Mrs E's funeral plan and refund the full amount paid. No cancellation fee or any other administrative charge should be made, and:
- add to the refund 8% per annum simple interest, from 1 June 2023 until the date the refund is paid.

I determined that date as a fair date from which interest to be paid, given Miss E's letter to Co-op, dated 1 June 2023, in which she requested full cancellation of Mrs E's plan, but said she considered the cancellation fee to be unreasonable.

I told both parties I would consider any new evidence or comments received by 15 November 2023, after which I would issue my final decision.

Since then, both parties have said the full amount Mrs E paid for her plan has been refunded to her. I understand no interest was applied to this payment. Miss E has asked about the outstanding interest.

### **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'm upholding this complaint. I'll explain my reasons.

I've not received any new arguments regarding the outcome I reached in my provisional decision. As the payment Mrs E made has now been refunded to her, I only need to address the outstanding matter of interest.

### **Putting things right**

To put things right Co-op should:

- pay Mrs E simple interest on the £3750 already refunded at a rate of 8% per annum, from 1 June 2023 until the date the refund was paid.
- If Co-op considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs E how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so that she can reclaim the tax from

HM Revenue & Customs if appropriate.

For Mrs E and Miss E's benefit, I'd like to clarify that I'm not requiring Co-op to pay interest dating back to when Mrs E took out the plan. Adding interest to a refund following cancellation requested by the customer isn't part of Co-op's terms. But where a business has got something wrong – which I think Co-op has here - it's our general approach to add interest from when the financial loss started. So in the circumstances of this complaint, I've decided it's reasonable to require Co-op to pay interest from when cancellation was requested, as I've explained above.

### **My final decision**

For the reasons given, I uphold this complaint and require Co-op Funeral Plans Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 15 December 2023.

Jo Chilvers  
**Ombudsman**