

The complaint

Mr L complained that ReAssure Limited ('ReAssure') failed to promptly and fully apply the premiums he paid for his flexible mortgage ISA (FMISA). He said this caused him a loss. Mr L was also unhappy about the fees he was charged in connection with the FMISA.

What happened

Mr L had a FMISA which he'd previously established with a different provider. The administration of the FMISA was transferred from the previous provider to ReAssure.

ReAssure asked Mr L's permission to continue collecting premiums from him for the FMISA.

In December 2021 Mr L called ReAssure saying he wanted to continue paying premiums to the FMISA.

On 20 December 2021 and 10 February 2022 ReAssure wrote to Mr L saying it acknowledged he wished to reinstate his policy, but before that could happen he had to complete a FMISA declaration and submit it to the investment manager.

On 21 February 2022 Mr L called ReAssure to say he'd completed the FMISA declaration but nothing had been done. ReAssure made a note on its systems saying it hadn't received the declaration. On 16 March 2022 Mr L called ReAssure again saying he'd completed the FMISA declaration. He later told us he completed and submitted the declaration multiple times.

On 17 March 2022 ReAssure wrote to Mr L saying it would collect £81.10 from his account each month. And the next collection would be £81.10 on or around 2 April 2022.

On 23 June 2022 Mr L called ReAssure saying the premiums it was collecting weren't being applied to his FMISA.

On 11 October 2022 Mr L said he wanted to make a formal complaint because his premiums still weren't being applied.

In response to Mr L's complaint ReAssure acknowledged it had made an error. It said:

- Mr L contacted ReAssure on 8 December 2021 saying he'd like to start paying premiums again.
- His first premium payment was on 4 April 2022.
- Due to a system error ReAssure didn't apply his premiums to his FMISA.
- ReAssure would ensure Mr L's premiums were '*backdated to the day [ReAssure] received them*' so that Mr L's FMISA would be '*put back into the correct position*'.
- The investment manager was deducting fees directly from Mr L's FMISA, but

ReAssure would ensure Mr L hadn't lost out because of this once the premiums had been applied.

ReAssure also apologised and offered Mr L £250 in apology.

In December 2022 ReAssure made a note that Mr L had '*received his compensation*' but his premiums still weren't being applied.

In January 2023 ReAssure applied a lump sum premium of £727.72 to Mr L's FMISA to make up the missing premiums.

Mr L wasn't satisfied with ReAssure's actions. He said the following:

- The premiums he'd paid totalled more than the amount ReAssure had applied to his FMISA in January 2023.
- When the investment manager for his FMISA had purchased investment units with the lump sum in January 2023, the price paid for the units was the January 2023 price. And that price was higher than the average market price in 2022. So by delaying the application of his premiums ReAssure had caused Mr L to lose out by having fewer units in his FMISA than he should've had.

In April 2023 ReAssure said the amount it had paid in the lump sum covered the premiums he paid from April 2022 to February 2023, minus ReAssure's administration and life cover charges.

ReAssure also said it had worked out how much Mr L's FMISA would've been worth if the premiums had been applied on the collection dates and it had made up any differences to ensure Mr L hadn't suffered any detriment.

ReAssure said it would give Mr L an additional £250 in recognition of the inconvenience caused by its error.

Mr L referred his complaint to this service.

Our Investigator's view

One of our Investigators looked into Mr L's complaint. In summary she said the following:

- It wasn't in dispute that ReAssure failed to apply Mr L's premiums between April 2022 and January 2023.
- To put things right ReAssure should've made sure Mr L had the same number of investment units in his FMISA as he would've had if ReAssure hadn't made its mistake. But ReAssure hadn't shown whether it had done this or not.
- ReAssure also hadn't made clear whether it had taken into account the fact that the investment manager's fees were being paid for by selling units in Mr L's FMISA.
- The available evidence indicated ReAssure didn't receive Mr L's FMISA declaration until March 2022, so ReAssure wasn't at fault for not taking premiums before April 2022.
- If Mr L was unhappy that he had to pay different fees because his previous provider transferred the administration of his FMISA, Mr L would need to complain to the

previous provider. But, taking into account the fees Mr L paid under the previous provider, the fees he was paying for the investments in the FMISA didn't appear to have increased.

The Investigator recommended that ReAssure work out how many investment units Mr L would've had in his FMISA if ReAssure hadn't made an error, and that if Mr L didn't have that number of units then ReAssure should pay into Mr L's FMISA the amount needed to buy the missing units. And the Investigator said ReAssure should give Mr L a copy of its calculations so he could see that things had been put right for him.

Mr L said he agreed with the essence of the Investigator's recommendations, but he thought ReAssure was responsible for no premiums being collected between November 2021 and March 2022. He said he completed the FMISA declaration in December 2021 at the latest, but ReAssure failed to process it before March 2022 despite Mr L having had numerous lengthy telephone calls with ReAssure and the investment manager.

The Investigator said the evidence wasn't enough to show, on balance, that ReAssure received a completed FMISA declaration from Mr L before March 2022. And even if the investment manager received one earlier, there's no evidence it was passed to ReAssure any earlier than March 2022.

ReAssure said it accepted the Investigator's view about what happened, but it was devising its own method to put things right. And so it couldn't agree with the Investigator's recommendations. ReAssure didn't say what its proposed method of putting things right would be.

Because no agreement could be reached, this complaint was passed to me to review afresh and make a decision.

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 the complaint. I'll explain why.

It's not in dispute that ReAssure made an error by not applying Mr L's premiums to his ISA from April 2022 to January 2023. What's not agreed is how ReAssure should put things right for Mr L.

Mr L also disagrees with the Investigator's view that ReAssure didn't receive his signed FMISA declaration until March 2022. I understand Mr L's frustration over this – I can see that he did have a number of conversations with ReAssure about the form prior to March 2022. But, having reviewed the evidence in full, I also don't think the evidence is sufficient for me to say that ReAssure did receive the form before March 2022. Contemporaneous notes from ReAssure showed it was aware Mr L wanted to resume paying premiums but it didn't have the form. While it's likely that an error occurred at some point, I can't say where the error happened or who was responsible. And so I can't conclude on balance that ReAssure had the signed form before it said it did.

In relation to the missed premiums, my aim is to put Mr L back in the position he would've been in had ReAssure not made the mistake it made when it failed to apply his collected premiums to his FMISA.

ReAssure has said that in January 2023 it applied the premiums paid by Mr L in the relevant period, minus its own fees and any life cover charges. But ReAssure hasn't provided any calculations to show how it calculated the amount it applied in January 2023.

ReAssure also hasn't shown that it took into account the impact of the delay in applying the premiums. If ReAssure had applied Mr L's premiums each month when they were collected, Mr L's premiums (minus fees and any other legitimate deductions) would've been used to buy investment units in his FMISA. Instead, Mr L was given a lump sum in January 2023 which appears to have been used to buy investment units, possibly at the price that was current in January 2023. Because of this, and because the price of the units changes over time, it's possible Mr L has fewer units in his FMISA than he would otherwise have had.

ReAssure's mistake also had a potential impact on the way the investment manager's fees were collected. Without Mr L's premiums being applied to the FMISA, the investment manager had no way to collect its own fee other than to sell units in the FMISA that otherwise might not have been sold. So that might also have caused Mr L to have fewer units in his FMISA than he should have. This can be put right for Mr L if ReAssure ensures the amount it's paid him in redress is enough to buy the number of units needed to give Mr L the same number of units he would've had if his premiums had been applied at the correct time.

Finally, I think Mr L has suffered significant distress and inconvenience as result of ReAssure's actions. And it's right that ReAssure should compensate him for that. But ReAssure has already offered Mr L £500 for that. And I think that's an appropriate amount for the distress and inconvenience Mr L has experienced.

Putting things right

As I've said, my aim is to restore Mr L to the position he would've been in if ReAssure hadn't made a mistake with his FMISA premiums. I don't know how ReAssure calculated the amount it paid Mr L in January 2023. It might be that ReAssure factored in the lost growth on investment units that would've been bought earlier. Because ReAssure hasn't fully explained its methodology or provided any evidence to show the basis for the amount it paid in January 2023, I consider it appropriate to give a direction to ReAssure to ensure Mr L is put back in the correct position.

To put things right for Mr L Reassure Limited must do the following things, if it hasn't done them already:

- (1) Calculate how much Mr L paid in premiums in the relevant period and how much should've been deducted by ReAssure in fees and other legitimate charges before each premium was passed to the investment manager. Provide this calculation to Mr L.
- (2) Calculate how many units Mr L would've had in his FMISA at January 2023 if ReAssure had applied all of his premiums as they were collected. To do this ReAssure should calculate, on the date it received each premium, how many units in Mr L's FMISA he could have purchased with the premium net of the deductions calculated in (1) above. It should add those figures together for each missed premium, and then add that overall figure to the number of units Mr L had in his FMISA before the first missed premium. This will give the correct figure for the number of units Mr L should've had in his FMISA in January 2023. Provide this calculation to Mr L.
- (3) Compare the figure calculated at (2) above with the number of units Mr L actually had

in his FMISA after the lump sum of January 2023 had been invested. Provide this calculation to Mr L.

- (4) If, after the January 2023 lump sum was invested, Mr L had fewer units than he should've had, make a payment into Mr L's FMISA equal to the amount needed to buy the missing units. The payment should be in the amount needed to buy the required number of units at the time they will be purchased.
- (5) Pay Mr L the £500 already offered for the distress and inconvenience caused by ReAssure's error.

My final decision

For the reasons I've set out above, my decision is that I uphold Mr L's complaint. ReAssure Limited must take the actions and pay the amounts set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 9 January 2024.

Lucinda Puls
Ombudsman