DRN-4549181

The complaint

Mrs J complains that the whole of life policy she took out with The Royal London Mutual Insurance Society Limited ('Royal London') to provide funeral costs in the event of her husband's death was unsuitable. She says she wasn't told about the charges, that the policy was investment linked or that she might qualify for help from the state with funeral expenses.

What happened

While I've read and considered everything the parties have presented, the following is an outline of the background to this complaint.

In 2001, Royal London advised Mrs J to take out a whole of life policy on the life of her husband to meet her objective of covering funeral expenses. The policy had a sum assured of £3,735 and cost £20 a month.

In June 2022 Mrs J complained to Royal London. She said she'd recently discovered from an annual statement that the policy had annual charges, which Royal London didn't tell her about and they'd not appeared on previous statements. She said she wouldn't have taken the policy out if she'd been told about them.

Royal London didn't uphold the complaint. In summary it said the policy was suitable for the purpose intended, and the costs and charges of the policy were set out in the documentation it provided Mrs J with at the time.

Dissatisfied with its response, Mrs J brought her complaint to us via her representative. In doing so, she broadened her complaint to include the suitability of it – she questioned whether it was the best policy for her and she said Royal London didn't tell her about the help the state could provide for funeral costs.

Royal London objected to us considering the complaint because it said it had been brought out of time – more than six years since the event complained of and more than three years since Mrs J knew or ought to have known she had cause for complaint.

An Ombudsman decided that Mrs J's complaint about the charges of the policy was out of time, and so wasn't something we could consider. But they said we could consider the suitability of the policy and Mrs J complaint point about Royal London not telling her help with funeral expenses was available from the state.

One of our Investigator's considered the broader suitability aspect of the complaint and they didn't uphold it. In summary they said Royal London gathered information about Mrs J's circumstances and objectives and identified a need for a lump sum to pay for funeral expenses. They said it recorded Mrs J had £2,000 in joint savings, so her requirement for a lump sum wasn't unreasonable. And they said the recommended whole of life policy was a suitable product to meet that need because it provided a guaranteed lump sum regardless of the age the claim was made. They said the evidence from time indicated that Mrs J had

sufficient disposable income to maintain the policy premium, so it was affordable. Finally, in relation to qualifying for state benefits to cover funeral expenses, they said this wasn't guaranteed – it was subject to assessment – and the amount of help was limited and wouldn't likely meet the entire funeral cost. So, they said the existence of this didn't make the recommendation unsuitable.

Mrs J, through her representative disagreed. In summary she repeated the point about not being told the policy was investment linked. She disagreed that she had adequate disposable income at the time – her husband did not have a personal or occupational pension, there were no housing costs recorded in the fact-find and her tax status wasn't recorded. She said her attitude to risk was not 'cautious' as recorded in the advice paperwork – she was in fact risk averse. In any event, she said there was no explanation as to what investments would be suitable for a 'cautious' person. She said she didn't receive the necessary information she would expect when buying an investment linked policy. She also made reference to not being told about the policy charges and fees, which she said the Investigator had overlooked.

The Investigator wasn't persuaded to change their opinion, so the complaint was referred to me for a final 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've decided not to uphold this complaint for broadly the same reasons as the Investigator. Before I give my reasons, for the avoidance of doubt, an Ombudsman has already decided that Mrs J's complaint about the policy's charges, costs or fees is not something we can consider because it was made out of time. So, while Mrs J has said more about the charges in her submission to me and said the Investigator overlooked this point in their assessment of the complaint, I won't be considering this aspect of the complaint here – I simply do not have the power to do so. My decision will only deal with the broader complaint point about the policy's suitability.

My reasons for not upholding this complaint are as follows:

- I'm satisfied from the advice paperwork at the time that, Mrs J's objective for a lump sum to pay for her husband's funeral costs was appropriate at the time. While Mrs J had £2,000 in jointly held savings, which in my view provided both her and her husband with an appropriate cash reserve to meet unexpected future expenditure, I don't think this sum was adequate to meet her required lump sum objective. And I don't think Mrs J or her husband had the means to increase their savings over time to satisfy her lump sum needs.

- A recommendation for a whole of life policy to meet Mrs J's need was, in my view, suitable. Unlike a term assurance policy, a whole of life policy does not have an 'end date.' As the title suggests, it provides cover throughout life.

  In this case, the policy provided a guaranteed sum assured of £3,735 to which bonuses could be added annually (the investment linked element.) The guaranteed sum, plus any bonuses added throughout the life of the policy, would be paid out in the event of a successful claim on the death of the life assured – i.e. Mrs J's husband. This sum would then be available for Mrs J to pay for funeral expenses as per her objective.

- While a term assurance policy might have been cheaper – or provided a larger sum assured for the same premium – because this type of policy has a defined period of cover, I don't think this type of policy was suitable for Mrs J's needs and objectives.

- I think the recommended policy was affordable for Mrs J based on what was recorded about her financial circumstances at the time. The policy's premium was £20 a month and the fact-find records Mrs J had a monthly disposable income of just over £90 a month. I can see the fact-find records her husband's income was from his state pension. But he hadn't yet reached state retirement age, which at that time was 65. Mrs J says he didn't have a private pension at the time. Nevertheless, he would've had an income from somewhere. And I'm mindful that the monthly expenditure amounts recorded appear to have been discussed and considered – there isn't for example just a consolidated total monthly expenditure amount.

  I can also see that the adviser recorded a note to say they'd confirmed the monthly disposable income and that the social or entertainment expenditure amount was low because Mrs J and her husband didn't do much socialising. This suggests to me there was likely a meaningful discussion around this. Mrs J says there isn't an amount recorded for housing costs – but I can see the adviser recorded in the note section that her rent was paid by housing benefit. So, taking everything into account, I think the policy was likely affordable for Mrs J.

- Mrs J says that Royal London didn't tell her the policy was investment linked and she wouldn't have taken it out if it had done. But I think Mrs J was likely informed about the policy's features including its investment element. I say this because the adviser's summary of the meeting said that the features and benefits had been discussed during the meeting and that this information could be found in the product literature given to Mrs J. The Key Features document was one of these pieces of literature. On its first page, this explained how the policy worked – it said premiums were invested in a range of stock exchange and other investments to provide the guaranteed benefits and to generate profits out of which bonus additions could be made.

- In any event, I don't think the existence of an investment element to the policy made it unsuitable or that Mrs J would've likely acted differently and declined the policy had Royal London done anything more. I say this because the product's primary focus was providing life cover and a lump sum in the event of her husband's death, whenever that happened, which is what Mrs J's objective was. The sum assured of £3,735 was guaranteed and Mrs J's monthly premium wasn't reviewable – it wouldn't change throughout the time the premiums were payable, which was up to age 85. The investment element was in relation to Mrs J's share of the profits earned from the businesses investments, which could result in annual bonuses being added to Mrs J's guaranteed sum assured. Once added, the bonuses could not be taken away meaning the eventual sum paid out on death could be more than the guaranteed sum assured. It is my view that this policy did not represent a greater level of risk than Mrs J was prepared to take. So, for these reasons and those above, I don't think the policy was unsuitable for her or that she would've acted differently and declined the cover had Royal London done anything more.

- Mrs J says that she's recently discovered that she may qualify for state benefit help with funeral expenses if her husband pre-deceased her. She says Royal London didn't tell her about this at the time, and this means the policy was unsuitable. Royal London has said that it didn't tell Mrs J about this at the time or since. But I don't think the existence of this benefit means the recommendation was unsuitable for Mrs J. As the Investigator explained, this state benefit is not guaranteed, it is subject to assessment, and importantly in my view, it wouldn't likely cover all of the

funeral expenses. So, in my view, a recommendation to Mrs J for her to make provision for funeral expenses in the event of her husband's death was not inappropriate. And overall, I think a recommendation for her to take out a whole of life policy to achieve this was suitable in the circumstances

For these reasons, I do not uphold this complaint.

My final decision

For the reasons above, I've decided not to uphold this complaint – so I make no award in Mrs J's favour.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 27 February 2024.
Paul Featherstone
Ombudsman