The complaint

Mr W is unhappy with his HSBC Life (UK) Limited (‘HSBC’) over-50s plan.

What happened

In 2010 Mr W took out over-50s life cover with HSBC. It provided a guaranteed benefit of £3,240 if Mr W paid premiums until the age of 90 or if he passed away earlier.

In December 2022, HSBC wrote Mr W a letter to update him, as they were improving the benefits of the cover. He would now be provided with a ‘paid up’ plan if he decided to stop paying premiums or cancelled the policy. This meant he’d still get paid a benefit in these circumstances, but that it would be less than if he continued paying premiums. This wasn’t an option available to him when he took out the plan in 2010.

HSBC’s letter also said that Mr W might be eligible to cash out his plan, meaning he might be able to cancel the cover and receive a cash payment. However, it also specified that this amount would be lower than the original guaranteed benefit or any amount he’d receive from a ‘paid up’ plan.

In 2023, Mr W complained to HSBC. He was unhappy that the plan only provided a total sum assured of £3,240 as he thought it was originally much higher than this, and felt it was an unfair amount.

Over the course of his complaint, Mr W has told us he’s already paid more than the sum assured in premiums and he doesn’t think the benefit justifies the amount he’s paid towards the policy. He complains that the cover will end up costing him far more than it would ever pay out, because in order to receive the full £3,240, he’d need to continue paying £20 each month until he reached the age of 90. He’s also unhappy with the options HSBC have provided as both the cash out or paid up option would provide him with less than he has already paid in premiums.

HSBC didn’t uphold Mr W’s complaint, but it confirmed he could cash in the policy and receive £668.94 or stop paying premiums and receive a ‘paid up value’ on death of £1,338 (values correct as of December 2023).

Mr W wasn’t happy with these options and brought his complaint to our service. Our investigator looked at the case but didn’t uphold it. Mr W disagreed, so it has been 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.

The first thing I will point out is that part of what Mr W is complaining about appears to have occurred more than six years before his complaint to HSBC in 2023. DISP 2.8.2 of our rules sets out the time limits which our service is bound by, including that we cannot consider a complaint made more than six years after the event being complained about.

I have considered the rules carefully in relation to Mr W's complaint. Having done so, I have concluded it is one we can consider. I haven't seen anything that persuades me Mr W has brought his complaint too late. This is particularly as part of his complaint relates to options only presented to him in 2022, and part relates to the position he is only now in, having paid premiums for a number of years.

I understand Mr W is unhappy with the fact he's already paid premiums in excess of the policy's benefit. Our investigator provided a clear and concise explanation as to how this could happen, which I've copied here – *"these types of policies are initially a risk to the insurer, because if the policyholder passes away in the years just after taking out the policy, then the insurer has to pay out a sum far larger than the amount they've received in premiums. However, the longer the policyholder lives, the more they pay in, which means that the risk transfers to them – in that they may end up paying more than the life cover is worth."* Ultimately, this plan is an insurance policy not a savings plan or traditional investment. In this case, the policy insures against the risk of dying early. Like any insurance, a policyholder pays for the business to take that risk on, and in the event that no claim is made, the policyholder may 'lose' what they paid in premiums.

I can see Mr W doesn't feel he is getting value for money with this policy. But I cannot find that HSBC have done something wrong here. I've seen the application form Mr W completed when he took out the policy in 2010. He did this on a non-advised basis. The form has a distinct section in the centre of the page, where Mr W had to tick a box to select the level of cover and premium. The £3,240 of cover and £20 monthly premium are clear and prominent, and Mr W has ticked this box.

I've also considered the policy document Mr W was provided with when he took out the plan. In the section titled 'Significant and unusual limitations and exclusions' it explains that if a policyholder were to live long enough, the total premiums paid will eventually be greater than the amount payable on death.

In relation to the 'cash in' and 'paid up' options, these were not available to Mr W when he decided to take out the policy. While they aren't options Mr W wishes to choose, they do extend the terms and conditions of the policy Mr W took out rather than detract from it. I cannot say HSBC have done something wrong by providing additional flexibility for policyholders.

Taking everything into account, I cannot say HSBC hid information from Mr W. I don't think the benefit or the premiums were presented to him in a confusing or misleading way. And I think the information he was provided with was clear enough to allow him to make an informed decision about whether to take out the plan. So while I accept he is unhappy about the level of cover the plan provides, I cannot say HSBC is at fault or that they have reduced the benefit he originally signed up for.

My final decision

I do not uphold Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 13 December 2024.

Artemis Pantelides
Ombudsman