

The complaint

Mr B complained about Vitality Life Limited (Vitality). He said he was not happy when it revised its quote, after he requested an extension to his term assurance policy. He said he would like Vitality to honour the first quote that it made to him and amend his policy to reflect this.

What happened

Mr B holds a term assurance policy with Vitality. He asked Vitality to quote him for extending his policy and in July 2023 it responded and said his new monthly premium would be £1040.05. Mr B accepted this and started the application process for his policy renewal.

Vitality wrote to him in December 2023 and said his new monthly premium would instead be £1962.44 per month. Mr B was not happy with this and said he would like Vitality to honour its first quote.

Vitality said in response the first quote it made in July 2023 was incorrect. It said there was a system error and when this was fixed in December 2023, the correct premium was generated. It said its second quote was correct. It said it recognised there was a drop in its standards, in how it responded to Mr B and offered £350 as a gesture of good will but that it wouldn't be honouring the original incorrect quote.

Mr B was not happy with Vitality's response and referred his complaint to our service.

An investigator looked into Mr B's complaint. He said multiple system errors that Vitality experienced at the time, affected the level of service it provided to Mr B. He said it was clear the level of service fell short, including the way Vitality communicated to Mr B.

The investigator said he could see in a letter sent by Vitality that it stated it would reserve the right to revise its quote. He said he was satisfied Vitality was behaving in a fair and reasonable way. He said he didn't think it would be fair to make Vitality honour its original quote, that it said was wrong. He said he was satisfied Vitality had offered a fair amount of £350 to put things right, for the poor level of service it had provided.

Mr B was not in agreement with the investigator's view. He submitted a letter from his financial adviser and asked for her comments to be taken into consideration. These were:

- On 15 November 2023, Vitality produced a formal acceptance letter showing it had accepted the terms and policy conditions.
- The policy was live – the policy conditions took over and were applied from this point.
- It had gone past the quotation stage. It was much later on 29 December 2023, where Vitality had found out there was an error in the premium originally quoted.
- The error was a Vitality matter and should not be passed on to Mr B.

Because the parties are not in agreement, Mr B's complaint has been passed to me, an ombudsman, to look into.

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.

I have independently reviewed Mr B's complaint and have arrived at the same outcome as the investigator, for broadly the same reasons. I will explain why.

I can see the crux of Mr B's complaint is that he would like Vitality to honour its initial quote that was for a significantly lower monthly premium than its revised one. Mr B and his financial adviser have also both made additional points about this including that the policy extension had gone live and so Vitality were, in their view, beyond the point of revising its quote with Mr B.

First of all, it's clear Vitality made a mistake here. It had issues with its system, and it seems this generated an incorrect quote, one with a much lower monthly premium than Vitality would have offered if it hadn't made any mistakes or hadn't worked off a faulty system. Vitality has admitted this happened, so I don't need to say anymore about whether it made mistakes here, Vitality said it did. What I do need to consider though, is whether Vitality treated Mr B fairly after it realised it had made a mistake.

Mr B and his adviser have both said the policy had been accepted by Vitality and was 'live', before Vitality contacted Mr B to say its quote was incorrect. I can see on 21 November 2023; Vitality's underwriter emailed Mr B's adviser and said his application for a term increase had been accepted. I asked Vitality about this; it said the policy couldn't be activated on its system due to a technical issue. It said its incorrect quote didn't progress beyond quote stage, because it was incorrect, despite the email from its underwriter. It said, when it tried to do so, it was physically unable to move the quote forward.

On balance, I don't think it would be fair and reasonable to hold Vitality to an incorrect quote, that hadn't been taken forward and activated into a live policy, and the information in front of me points to this being the case. So, although, I appreciate it made errors and was taking a long time to resolve these, it was still reasonable for Vitality to at this stage, be able to correct its mistakes and revise its quote.

I also don't think Mr B would have been able to obtain that sort of cover from Vitality for the monthly premium initially quoted, due to its system error. It wouldn't be fair of me to ask it to put Mr B in a much better position than he would have been in, but for its mistake. That wouldn't be proportionate or fair, especially as the quote hadn't been activated. So, I won't be asking it to do this.

Instead, I have looked into whether Vitality did all it could, when it realised it had made a mistake, to give Mr B options so that he had the opportunity to choose whether to accept the revised quote or not. I asked Vitality about this to find out whether it did this. It said it offered the option to submit a new application that matched the benefits and terms with a lower premium. It said it also proposed reducing the cover to match the premium offered in the incorrect quote, but Mr B declined these options. It said Mr B also had the options to keep the cover as it was or cancel the plan.

Based on what Vitality has said here, I don't think its actions were unreasonable. It provided Mr B with a range of options and so I think he would have had a choice about what he could do going forward.

What is left for me to consider is whether Vitality's offer to pay Mr B £350 for the distress and inconvenience it caused is fair and reasonable or not. I do think it caused Mr B a loss of

expectation here as he wasn't able to receive what he would've thought was a good deal on his term assurance extension. Vitality also didn't communicate what happened in a clear way to Mr B and I don't think this would have helped him, in what would have been a stressful issue to deal with. I think its offer of £350 is a fair one and is similar to the sort of award I would have awarded, in the circumstances.

I appreciate that my decision will be disappointing for Mr B but based on everything I have read and the findings I have given, my decision is that Vitality should pay Mr B £350 for the distress and inconvenience it has caused.

My final decision

My final decision is that Vitality Life Limited should pay Mr B £350, if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 24 March 2025.

Mark Richardson
Ombudsman