

The complaint

Mrs L complained that Scottish Equitable Plc trading as AEGON (“Aegon”) declined her claim on a joint life assurance policy, following the death of her husband.

What happened

Mrs L and her late husband, Mr S, took out a joint, decreasing term life assurance policy on 19 November 2019. The policy term was 22 years and the initial sum assured was £350,000. The policy also included reducing critical illness protection and total permanent disability benefit, with an initial sum assured of £45,000. The policy was taken out through an Independent Financial Advisor (IFA).

Sadly, Mr S took his own life on 10 November 2020. When Mrs L submitted a claim to Aegon, she was told the claim would not be considered. Aegon said this was because the policy contained a suicide exclusion clause that meant a claim would not be paid for any death by suicide that happened within the first twelve months of the policy.

Mrs L told Aegon it didn’t have enough information at that point to determine whether the exclusion applied. She said the interim death certificate didn’t state that her husband’s death was a suicide. And, in any event, Aegon hadn’t asked her for a copy of the interim certificate. Mrs L said Aegon’s reason for including the exclusion clause in the policy was to prevent a suicide being planned in advance of taking out a policy. But she said she and her husband already had a life policy for some time prior to taking out a new policy with Aegon and that the new policy was taken out when they bought a new home. So this, alongside her late husband’s death being unexpected, meant it’s clear the policy was not taken out because of any intention on her late husband’s part to end his life.

Mrs L contacted Aegon in December 2020 to enquire about what steps she would need to take to ensure she continued to have life and critical illness cover. She raised a complaint about how the call handler dealt with her query; about receiving reminder letters telling her to pay policy premiums; not receiving promised call backs and being sent text messages and calls chasing premiums.

Aegon responded and said the call handler could have dealt with Mrs L’s query better, if its systems had more accurately reflected the position. So it apologised and sent Mrs L a hamper. However, it said the calls and text messages about premiums appear to have been sent by the IFA who originally set up the policy for Mrs L. It said it also seemed to have been the IFA who failed to call Mrs L back as promised. Aegon said that since it agreed to set up a claim only one premium reminder letter had been sent out and then further reminder letters were automatically stopped. Aegon said the IFA was independent from Aegon, but it agreed to write to them and raise a complaint on Mrs L’s behalf, which it did in February 2021. Aegon contacted Mrs L in June 2021 to say it was aware the Coroner’s Inquest had recently ruled Mr S’s death as suicide. It consulted with its reinsurer and legal team and considered the terms of the policy, and decided to apply the suicide exclusion. So the claim was turned down. Aegon said it had great sympathy for Mrs L and her family, but felt its position was correct and was fair to other customers who may have found themselves in similar circumstances.

Mrs L appealed, but Aegon did not change its decision. It said it had to base its decision on evidence from the Coroner, and this confirmed a verdict of suicide, which it specifically excluded during the first twelve months of the policy. It looked at Mrs L's point about having paid the full twelve months of premiums. But said premiums are paid in advance and payment of the twelfth premium does not mean the suicide exclusion does not apply.

Mrs L remained unhappy and so complained to this service. She said Aegon had steadfastly maintained its position, with no explanation as to why it must do so, when in the same circumstances it would have paid the claim one week later. Mrs L said it failed to look at the individual merits of her claim. Mrs L also complained about the handling of the claim by Aegon including that it refused to allow a claim in the first week, provided contradictory advice, chased her about continuing to make payments for single life cover and told her it could look at offering premium refunds if the claim was unsuccessful. Mrs L said she met the terms of the life insurance policy by paying twelve premiums, so a year's cover. She said her husband had not intended to commit suicide at the time he took out the policy.

Our investigator didn't uphold Mrs L's complaint. He said he could see the policy had a suicide exclusion that was applied in line with the policy terms and conditions, and so Aegon hadn't done anything wrong in declining the claim. Our investigator also said Aegon didn't need to take further action in relation to the complaint about the service it provided.

Mrs L disagreed with what our investigator said. She said her husband's death occurred without any warning or indication. She felt this situation was unique in its timing and so a different approach should be applied. As Mrs L didn't agree with what our investigator said, this complaint has come to me for 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 am not upholding this complaint.

First of all I want to offer my condolences to Mrs L and her family. I appreciate this must be a very difficult and upsetting time for them. But although I have a great deal of sympathy for them and the situation they find themselves in, I am not upholding Mrs L's complaint. I know this will be very disappointing to Mrs L, but I'll explain my reasons.

I've seen the policy documents, and the term relied on by Aegon to decline the claim says:

"We will not pay the benefit amount, for any claim based on the death of the insured person... where the insured person committed suicide (whether or not at the time of such action they were sane): a. within 12 months of the benefit start date of the benefit which the claim relates to..."

I've also seen the verdict from the Coroner's Inquest, which records Mr S's cause of death as "suicide". Mr S died within the first twelve months of the policy start date and so, given the cause and date of Mr S's death, the above exclusion can be applied by Aegon and the claim can be fairly declined. I think it's also important to add that exclusions of this type are commonplace within life assurance policies.

But what Mrs L is asking for here is for Aegon to take her individual circumstances into consideration, and not take a blanket approach to applying the exclusion. The individual circumstances that Mrs L feels should make a difference to how the claim is assessed are;

the short number of days left before the policy would have been in place for a year; and that this exclusion clause is in place for particular reasons, but she feels those reasons don't apply to her situation.

I've thought about this, but I don't think Aegon needed to deal with Mrs L's claim in a different way. The exclusion is part of the insurance contract entered into by Aegon and Mrs L and Mr S. All parties agreed it at the outset. Aegon made the point that it needs to ensure it's being fair to all customers, which means applying the same approach to all customers who find themselves in similar circumstances. I'm satisfied this is a fair and reasonable way for Aegon to apply the policy exclusion.

I've also looked at what Mrs L said about having paid a full twelve months' worth of premiums by the time her husband passed away. Mrs L felt that by doing so, she had essentially met the 12 month term. However, I think the wording of the exclusion is clear that when it refers to "*within 12 months of the benefit start date...*", this relates to calendar months and is unrelated to how premiums are paid.

Mrs L also complained about Aegon's refusal to set up a claim when she first contacted it. I've listened to the phone calls Mrs L made to Aegon and I can see that Aegon was provided with enough information to be able to say at that point that the exclusion applied. I realise the Coroner's Inquest hadn't been held at that stage, but Mrs L would have been able to come back to Aegon and submit another claim if the Coroner's verdict had been different. So she wasn't placed at any disadvantage by Aegon's refusal to initially set up a claim.

Mrs L was also upset that she received premium payment reminders by text message and phone, and didn't receive a call back from an advisor when promised. Aegon said it sent out one automated premium reminder letter, which was posted before it agreed to look into Mrs L's claim. It then stopped all subsequent reminders. Aegon concluded that all other contact by text message and phone, including the failure to return Mrs L's call, must have come from the IFA who originally set up the policy for Mrs L. It said this because it doesn't have the facility to send text messages to policyholders. It also said the IFA contacted it several times around the end of November 2020 asking about premiums, and Mrs L said she had been in contact with the IFA at around the same time. So I'm satisfied it's likely it was the IFA who tried to contact Mrs L about premiums. I can see that Aegon wrote to the IFA in February 2021 and raised a complaint on Mrs L's behalf. As my decision is about Aegon and not the IFA, I am not making any findings here about the IFA's actions.

But Aegon did agree that it provided poor service when Mrs L contacted it in mid-December 2020 to discuss what steps she needed to take to ensure the life and critical illness cover continued for her. I've listened to the various call recordings provided by Aegon and it's certainly the case that the adviser Mrs L spoke to was uncertain where to direct the call and initially provided incorrect information. But, ultimately, the adviser decided to seek advice and called Mrs L back. So while I have no doubt this caused stress and frustration for Mrs L, the matter was escalated and the correct information was provided a couple of days later. Aegon has apologised for these service issues and I am not asking it to take any further action.

Mrs L said she was told she might get the policy premiums refunded if the claim wasn't paid, but Aegon decided not to do this and I think it acted fairly. I say this because although this particular claim was turned down, the policy was still a valid one and provided full life and critical illness cover, as outlined in the terms and conditions. It's because both policyholders had the full benefit of the cover that Aegon don't need to return premiums.

I realise that my decision will come as a disappointment to Mrs L, but I could only ask Aegon to take a different course of action here if I thought it had acted unfairly or outside of the terms of the policy, and I'm satisfied it hasn't.

My final decision

It's my final decision that I do not uphold Mrs L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 4 March 2022.

Martina Ryan
Ombudsman