

The complaint

Mr B is unhappy that the Society of Lloyd's ('Lloyd's') declined a claim made on his income insurance policy.

What happened

Mr B had had the benefit of an income insurance policy which started in March 2020. In the event of a successful claim, the policy provides a monthly benefit should certain events take place, including unemployment.

In August 2020, Mr B was given notice by his employer that his employment would be terminated.

He made a claim under the policy but that claim was ultimately declined by Lloyd's; it said Mr B was first notified that his employment was at risk of termination within the first 120 days of the policy starting so his claim was excluded.

Mr B didn't think that was fair. So, he complained to Lloyd's. He was also unhappy about the delay in reaching a claims decision. His complaint wasn't upheld. Mr B then brought his complaint to our service. He's confirmed that the complaint brought to our service to investigate is confined to Lloyd's decision to decline his claim.

Our investigator looked into what happened and recommended Mr B's complaint be upheld. She asked Lloyd's to backdate and pay Mr B's unemployment claim from the date the benefit was due to the date of settlement is paid together with 8% simple interest per year.

Lloyd's disagreed. This complaint has now been passed to me to consider everything afresh to decide.

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.

Lloyd's has an obligation to handle claims fairly and promptly. And it mustn't unreasonably decline a claim.

I uphold Mr B's complaint as I don't think Lloyd's has acted fairly and reasonably in the all the circumstances of this case by declining Mr B's claim. I'll explain why.

The policy contains an initial exclusion period meaning that no unemployment claim will be payable if "you are notified of or made aware by any means, within the Initial Exclusion Period, of anything which might lead to Your Unemployment may not take place until after the Initial Exclusion Period.

Initial Exclusion period is defined as: *"the 120 days immediately following the Policy Start date when You cannot claim for unemployment"*.

And the part of the definition of unemployment which is relevant to the exclusion period is *“you are out of work directly due to circumstances beyond your control...”*

Mr B's employer told Lloyd's that Mr B's employment was terminated due to inadequate job performance. And when asked by Lloyd's: 'what date did discussion first take place with the employee concerning their likely termination of employment', the answer was April 2020.

This date was also used by Mr B's employer when answering the question: 'what is the earlier date that they would have been aware that their employment was likely to be terminated or was at risk?'.

And Mr B's employer also confirmed that Mr B had been aware that his employment may be terminated or was at risk before 1 July 2020, which is within the first 120 days of the policy starting. It said that he'd had more than half a dozen performance hearings and was told in performance hearings that this job was at risk on several occasions.

This is, of course, relevant evidence for Lloyd's to take into account.

However, Mr B says he wasn't first made aware that his employment was at risk or might be terminated in April 2020. He says he wasn't made aware of that until August 2020, when he received a letter of shortcomings - shortly before he was given notice of his employment being terminated.

I've seen the documentary evidence Lloyd's has obtained from Mr B's employer from between March and August 2020 in particular, which the employer has relied on as giving warnings to Mr B about his performance. Looking at this evidence, I accept what Mr B says; that he wasn't aware from the correspondence that it was likely his employment would be terminated, or that his employment was, somehow, at risk.

It's clear that his employer was providing prompts about what Mr B was required to do and expectations were set. And in its view, he ought to be performing better in his role. Lloyd's has said that the employer had handwritten various comments on the printouts such as 'warning' and 'strong warning'.

This might be how the employer viewed them. However, there's nothing in the correspondence I've seen that supports Mr B was given any official warnings – whether verbally or in writing - about his performance - or that failure to improve could result in his employment being terminated.

So, in the circumstances of this case, I don't think it's fair and reasonable for Lloyd's to decline the claim relying on the exclusion that Mr B was notified or made aware of anything which might lead to his unemployment during the first 120 days of the start of the policy.

Putting things right

I direct Lloyd's to reassess Mr B's claim on the basis that the exclusion relating to the initial exclusion period isn't applicable to the circumstances of Mr B's claim.

My final decision

I uphold Mr B's complaint and direct the Society's Lloyd's to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 20 October 2022.

David Curtis-Johnson
Ombudsman