

The complaint

Mrs H is unhappy Healthy Pets Limited introduced sub limits on some conditions, limiting what she could claim for, which has resulted in her claims not being met in full. She's also unhappy they introduced an excess per condition per policy year.

What happened

Mrs H purchased pet insurance through Healthy Pets in 2011 to provide cover for her dog. The cover taken was the gold maximum benefit with cover up to £7,500 per injury/illness.

The policy renewed each year following this and in 2015, at renewal, there were some changes made to the cover provided. Sub-limits were introduced in relation to certain conditions and the excess became applicable per condition per policy year. One of the sub-limits introduced was in relation to new conditions/treatment that involved the cruciate ligament. Mrs H decided to renew the policy despite these changes.

In December 2018 Mrs H's dog required cruciate surgery on one of its legs. The claim was paid out up to the sub-limit and the remaining costs were left for Mrs H to pay along with the 20% co-payment. She also had to pay for follow up treatment to remove the implant.

In January 2021 the dog required cruciate surgery on the other leg and again the claim was paid out up to the sub-limit. Mrs H had to cover the additional costs related to this, including a 20% co-payment and the follow up treatment.

Mrs H complained about this to Healthy Pets. She felt it was unfair and unjustified to introduce sub-limits and change the excess for existing customers. She said if she still had the level of cover provided at the outset, all the treatment would have been covered. And whilst she was aware of the changes introduced to the benefit in 2015, she felt she had to stay with Healthy Pets due to clauses around pre-existing conditions.

Healthy Pets looked into it but felt they hadn't done anything wrong so Mrs H referred her concerns to this service. As our investigator was unable to resolve things, the complaint was passed to me. And in March 2022, I issued a provisional decision, which said:

"I've considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I'm intending to uphold the complaint in part.

Insurers are entitled to decide what level of risk they're willing to take and therefore the level of cover they provide, if any. I understand Mrs H expected to continue renewing her policy year on year with the same level of cover she initially signed up for in 2011.

So, I've thought about the information provided to Mrs H at the time she first took out the policy, taking account that Healthy Pets should have provided enough information to enable her to make an informed decision when purchasing the policy. And that any information given should have been clear, fair and not misleading.

I don't have details of how the policy was sold or what information Mrs H was given alongside the policy document at the time of purchase. But from what I can see, I think it's unlikely she was given enough information to fully understand how much the policy could change, particularly as her dog got older.

The policy terms at inception say:

"If you renew Your Policy each year and you keep your payments up to date cover for the treatment of an illness or injury can continue until you reach the policy limit. The policy limit will be the limit in force when the injury happens clinical signs of an illness were noticed."

Although this indicates the limit can change, I don't think this makes it clear that Healthy Pets may make changes to the overall limitations for cover or excesses. And even if it was enough, this information is significant, so it should have been brought to Mrs H's attention rather than only being detailed within the policy documentation.

Mrs H hasn't disputed she was aware of the changes regarding the sub-limits and excess and accepted them at the time of renewal in 2015. But it seems she didn't recognise the impact this had on her until she needed to make a claim for one of the conditions where a sub-limit applied.

Mrs H took out a maximum benefit policy meaning any conditions claimed for after the inception of the policy, that weren't pre-existing, will continue to be covered up to the limit specified as long as the premiums continue to be paid and the policy renews. This is unlike other types of pet insurance policies that will only cover a condition for a limited time.

So, I understand this would have been a surprise, especially when she first claimed for her dog's cruciate surgery in 2018 and found she wasn't able to claim for all the costs associated with the treatment. As from her perspective the claim was within the overall policy limit.

Whilst the implementation of sub-limits was clearly brought to Mrs H's attention in 2015, and was detailed at each subsequent renewal, by that time she was already committed to continuing with the policy and it would have been difficult for her to change in view of the policy terms relating to existing conditions. I don't think the potential changes were made clear to Mrs H at the outset to allow her to make an informed decision when she purchased the policy.

At the outset the cover was up to £7,500 per injury/illness, when introducing the sub-limits this breached the original promise to Mrs H that her dog would be covered up to the maximum benefit regardless of the injury or illness.

It isn't unreasonable that Mrs H thought the cover provided at inception would continue as long as she continued to renew the policy. And as these types of policies are generally taken with the intention of cover for the long term, I'd have expected Healthy Pets to have made the potential for changes in cover clear at the outset.

By changing the terms four years after she purchased the policy, they put Mrs H in a difficult position of deciding if to accept the term changes and continue, even though that's not what she understood would happen, and it had cost her more than she had planned for. Or to look for another provider, which would have likely put her at risk of exclusions.

Mrs H has said she accepted the changes in 2015 as she was concerned about moving to another insurer due to pre-existing clauses generally applied to policies. I find this

argument persuasive and I think it impacted her decision to renew but she also said she decided to stay because of what the policy offered and the affordability.

Because of this I think it's likely that even if Healthy Pets had made it clear at the outset that the limitations to cover could change, she would have still taken the policy out. So, I think the way Healthy Pets handled the claim itself was fair as the overall position hasn't changed.

However, I think the introduction of the sub-limits and co-insurance did cause some financial concern for Mrs H, and this wasn't something she was expecting as it wasn't made clear enough at the outset there could be changes in the benefit available.

I've considered that Mrs H has had the benefit of the policy for several years and made successful claims on it. However, she had been with Healthy Pets for some time and her dog also has a pre-existing condition which can make it harder to find adequate cover elsewhere.

Mrs H has said she was aware of the changes to the benefit and accepted them. And for the reasons explained, I find it likely she would have continued with cover if Healthy Pets had been clearer about potential changes at the outset. Therefore, I find it fair that Healthy Pets can rely on the current cover limitations in relation to any future claims.

However, I've also considered the distress caused in understanding she had to find additional funds to cover the cost of treatment. It would have understandably been a shock learning the claim wouldn't be covered as expected and the long term impact this could have. Taking account of Mrs H's particular circumstances, the impact on her and the long-term effect on the cover available for her dog, I think £600 is fair and reasonable to recognise the upset Mrs H experienced.

For the reasons explained above, but subject to any further information I receive from either Mrs H or Healthy Pets Limited, my provisional decision is that Healthy Pets Limited should pay Mrs H £600 to compensate for the distress and inconvenience caused.

Responses to my provisional decision

Mrs H accepted the decision and didn't have any further evidence for my consideration. Healthy Pets raised a number of concerns which I will address below.

Whilst accepting the point that it wasn't clear at the outset the overall limitations to cover could change. Healthy Pets feel that at the time of the introduction of sub-limits in 2015 the dog didn't have any pre-existing conditions. And this counteracts the view that Mrs H was tied into remaining with Healthy Pets to retain continuous cover.

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 felt this may have impacted her decision to renew and likely put her at risk of exclusions, the fact that no claims were made doesn't mean she hadn't visited a vet for consultation during that time on something that could later have an impact. I also said there were other factors such as affordability which is why I felt it likely she would have still taken the policy had she been aware.

However, even though the changes were made clear in 2015 and at subsequent renewals I don't think Mrs H was aware of the impact of these changes to cover until she came to claim in 2018. At which point she was tied to continue with cover as she had made a claim in relation to the cruciate treatment.

I found, even if Mrs H was aware of the changes at the outset, she would have likely taken the policy out. And therefore it was fair for Healthy Pets to pay the claim in line with policy limitations. Healthy Pets feel this is contradictory as an award for distress and inconvenience has been made on the basis Mrs H wasn't aware that cover may change but I don't agree.

These policies provide reassurance a pet will be covered for the longer term until the benefit is reached, so Mrs H was put in a difficult position to decide if to stay with Healthy Pets or move to another provider where either way there were implications to the cost or cover that may be available moving forwards.

An award was made as it wasn't clear at the outset that limitations to cover could change. This impacted Mrs H as she needed to find additional funds to cover the cost of future treatment over the limitations or find cover elsewhere, which would have likely cost more and not be the cover she was looking for when she applied for the maximum benefit policy.

Had the potential for limitations to change been made clear at the point of inception, Mrs H could have made provisions to support the cost of any treatment such as this and would have had more time to do so. This also likely has a long term impact on any future claims, particularly as the dog gets older.

A maximum benefit policy provides reassurance of cover up to defined limit. Meaning customers can claim up to that limit for each injury or illness with no time constraints, so generally they don't have to worry about changing providers at a later date. Not making the possibility of changes to limitations clear at the outset, and then introducing changes part way through has had an impact on Mrs H. This, along with the reasons outlined in my provisional decision, was why an award for distress and inconvenience was made.

Healthy Pets feel the important thing is whether they made Mrs H sufficiently aware in order that she could make an informed decision at the point of renewal in 2015, if to continue with the existing policy or source a new provider. And they feel they did this.

However, as these types of policies are designed to run for the longer term, it's important that any potential for changes to cover is clear at the outset. So at that point customers can make an informed decision on whether to purchase. I explained in my provisional decision that I don't feel it was clear at the outset and Healthy Pets have agreed with this.

Whilst I have taken account of the points Healthy Pets have made, I see no reason to deviate from the outcome explained in my provisional decision for the reasons explained above.

My final decision

My final decision is that Healthy Pets Limited should pay Mrs H £600 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 20 June 2022.

Karin Hutchinson

Ombudsman