

The complaint

Mrs M's complaint is about the refusal of a claim under her pet insurance policy with HDI Global Specialty SE.

What happened

I issued a provisional decision on this matter in May 2022, the main part of which is copied below:

"Mrs M took a 'lifetime' pet insurance policy with HDI online in January 2021. The policy had a £6,000 claim limit. When the policy was due for renewal in January 2022, Mrs M went online and arranged a new policy with HDI with a lower limit of £4,000. The new policy started on the day the old one lapsed.

In February 2022, Mrs M made a claim for treatment for her dog. HDI refused the claim on the basis that the condition claimed for started in November 2021, which was before the start of the new policy, and its policies exclude cover for pre-existing conditions. Mrs M is very unhappy about this, as she says there had been no break in her cover and she had remained insured with HDI since January 2021.

HDI says the policy was not renewed but a new policy started in January 2022 and as such it excludes any conditions that pre-existed that start date. HDI says it set out clearly in the renewal documents sent to Mrs M that she should make contact by phone if she had any queries or wanted to make any changes to the cover it provided.

One of our Investigators looked into the matter. He didn't think HDI had acted incorrectly and so did not recommend the complaint be upheld. The Investigator also said that the renewal premium quoted to Mrs M would have reflected the fact that any conditions that had arisen during the previous policy period would be covered going forward and the new policy was cheaper, as it would not cover any pre-existing conditions.

Mrs M does not accept the Investigator's assessment, so the matter has been passed to me.

What I've provisionally 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.

Policies such as this are annual policies, so each year a new contract is entered into. However, HDI says that in order to be considered to be a continuous cover, Mrs M should have followed the instructions in the renewal documents to phone it to discuss any changes she wanted to make. HDI says that because she arranged the new policy online, she effectively broke the cover. I am not persuaded this is fair or reasonable. Mrs M had continuous cover for the same dog with the same insurer. She says she does not like dealing with these matters on the phone and wanted to renew the policy in the same way she had first taken it out – online.

Even if Mrs M should have phoned to arrange 'renewal' rather than a new policy online, it seems to me that the equitable principle of regarding as done what ought to have been done would apply here. It is clear Mrs M's intention was to renew her policy with HDI and even if she went about that in the wrong way, she did insure with HDI from the renewal date. I can see that HDI would want to know if it is issuing a policy to an existing customer rather than a new customer but I do not think this in itself is enough to entitle it to disregard the fact that it was insuring Mrs M's dog at the time the condition claimed for first arose and there was no break in the cover she held.

The Investigator pointed out that HDI might have charged a different premium, if it had known it was renewing a policy for an existing customer, to reflect the fact it would cover any issues that had arisen in the previous period of cover. I note that the renewal premium quoted to Mrs M was around £460 and the premium Mrs M paid for the new policy, with reduced cover, was around £415. I would assume the reduced claim limit would have been a significant factor in the lower price. I am not therefore convinced that HDI was materially disadvantaged by this. However, if HDI wants to provide evidence of the premium it would have charged if Mrs M had phoned to make the changes to the new policy it can do so in response to this provisional decision. I will then consider whether it would be fair to allow it to account for this difference in premium.

Given the above, I consider HDI should meet the claim, subject to the remaining terms and conditions of the policy. I also consider it should pay Mrs M the sum of £100 compensation for the distress and inconvenience caused by its wrongful refusal of her claim.

I intend to uphold this complaint and require HDI Global Specialty SE to do the following:

1. meet Mrs M's claim, subject to the remaining terms and conditions of the policy. If Mrs M has already paid the vet's fees that are due to be met under the policy then interest should be added at 8% simple per annum from the date Mrs M paid any costs to the date of reimbursement; and
2. pay Mrs M the sum of £100 compensation for the distress and inconvenience caused by its wrongful refusal of her claim."

Responses to my provisional decision

I invited both parties to respond to my provisional decision with any further information they want considered.

Mrs M has confirmed she accepts my provisional decision and has nothing further to add.

HDI does not accept my provisional decision. It has made a number of points, which I've summarised below:

- My decision is fundamentally wrong and "*represents a significant change in fact and also sets a worrying precedent*".
- The new policy is priced to exclude pre-existing policies, so if it is expected to apply this to all cases where a consumer applies for a new policy instead of renewing then this is problematic.
- Mrs M allowed her policy to lapse and then took out a new one, so the continuous cover benefit of the lifetime policy ended. This was set out clearly on its website and there is nothing to suggest a policy can be renewed online.

- Mrs M would have selected the start date for the new policy and it clearly said pre-existing policies were not covered; and that she should call if she was confused about anything.
- I asked for evidence of the premium it would have charged Mrs M if she had phoned to renew with the lower cover limit, instead of renewing online, but this is irrelevant as the chances are it would have been more expensive than the equivalent new business. We are normally clear that we do not govern the premiums charged so it does not see the purpose of my request, as the complaint is about whether there was continuous cover, not the premium charged.
- My decision is out of line with other outcomes from this service and it asks for it to be escalated to an Ombudsman.

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.

As Mrs M didn't agree with the Investigator's findings, her complaint was passed to me to review afresh and to provide a decision. This is the final stage of our involvement and the complaint will not be considered by anyone else here.

My remit is to determine what I consider to be the fair and reasonable outcome in the circumstances of this complaint. HDI says I am setting a problematic precedent. However, each complaint is determined on its own merits and we do not have a system of precedent, although we do endeavour to be consistent. My decision is entirely in line with our fair and reasonable approach.

It is not in dispute that Mrs M had cover with HDI from January 2021. She clearly intended to continue that lifetime cover but made an error when renewing. I have not made any finding that it is at fault for the fact Mrs M took out what was technically a new policy, rather than renew an existing policy, because I do not think it is necessary to do so. However, sometimes things do go wrong and I am satisfied that Mrs M made an innocent mistake. There is no suggestion that she was deliberately trying to obtain a cheaper premium to which she was not entitled. She simply wanted to deal with the change of cover limit and the renewal online and did not realise the effect this would have on her continuous cover. I can understand why she did so. I also note that she took out the new policy on the day the other ended, so there was no gap in cover from HDI (even if it was not what it considers to be continuous cover).

Given this was simply an innocent mistake, I considered what would have happened if Mrs M had called to renew her policy. HDI had already offered renewal, so there is no reason to doubt that the policy would have been renewed with the lower claim limit Mrs M wanted. I acknowledged that HDI might have charged a different premium, if it had known that she was an existing customer, which is why I asked it to confirm what premium it would have charged for the renewed policy with reduced cover.

HDI says this is irrelevant and suggests that I am seeking to interfere with the pricing of the policy. However, I asked for this information because in putting both parties back in the position they would have been in if this error had not been made, I recognised that it might be entitled to some additional premium from Mrs M. As noted in my provisional decision, the renewal premium was quoted as £460 for the £6,000 claim limit and Mrs M took the policy with the £4,000 claim limit for £415. Some of that £45 difference would be because the cover limit was significantly lower. So, I do not think the difference in premium would have been that great but as HDI has chosen not to provide that information, I am unable to determine if it would have charged a different premium at all.

I therefore remain of the opinion that HDI should meet Mrs M's claim, subject to the remaining terms and conditions of the policy and pay Mrs M the sum of £100 compensation.

My final decision

I uphold this complaint and require HDI Global Specialty SE to do the following:

1. meet Mrs M's claim, subject to the remaining terms and conditions of the policy. If Mrs M has already paid the vet's fees that are due to be met under the policy then interest should be added at 8% simple per annum from the date Mrs M paid any costs to the date of reimbursement; and

2. pay Mrs M the sum of £100 compensation for the distress and inconvenience caused by its wrongful refusal of her claim.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 3 August 2022.

Harriet McCarthy
Ombudsman