

The complaint

Mr G complains about the sale of his income protection policy by Albany Park Limited.

What happened

Mr G held income protection cover with an insurer (I'll call this 'Policy A'). As the premiums were increasing each year, Albany Park arranged a new income protection policy with a different insurer (I'll call this 'Policy B'). This policy started in June 2021.

The aim of Policy B was to provide a monthly income of £1,500 in the event Mr G couldn't work due to illness or injury. The policy was arranged with a deferred period of one month, and had a monthly premium of £106.79.

Later that year, Mr G made a claim to the insurer of Policy B. During the insurer's assessment of the claim, it concluded that Mr G (or Albany Park on his behalf) had misrepresented information about his health when taking out the policy. The insurer said if it had known the information, it wouldn't have offered Mr G the policy. The insurer therefore avoided the policy from the start and returned the premiums Mr G had paid.

Mr G complained to Albany Park about the sale of the policy. He said Albany Park had known the information about his health and had failed to declare it on his application form. Albany Park accepted that it had been at fault. It offered Mr G compensation of £3,000. Unhappy with this, Mr G brought a complaint to this service.

Our investigator recommended the complaint be upheld. She thought Albany Park ought to pay £2,625 to compensate Mr G for his loss (plus interest), plus £350 compensation.

Albany Park accepted our investigator's recommendations, but Mr G did not. The matter has therefore been passed to me for a final 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.

It's not in dispute that Albany Park was at fault. I've therefore only considered how Albany Park should put matters right.

As our investigator has explained, when a financial business makes an error, the aim of this service is to place the consumer back in the position they would have been (as far as possible), if it hadn't been for the error.

If Albany Park hadn't mis-sold the policy, I think Mr G would have either remained insured with Policy A, or he would have taken out alternative cover with another insurer.

Mr G was signed off work from 18 October 2021 to 10 January 2022. Taking into account the one month deferred period, that meant his claim would have become payable from 18

November 2021. Albany Park calculated a figure of £2,625 to reflect the amount Mr G would have been paid by the insurer (if the claim had been accepted) between 18 November 2021 and 10 January 2022. I agree this figure was fair. Though I would also point out that the insurer hadn't actually accepted that Mr G's claim met the policy definition of incapacity, and so Mr G's loss in this respect isn't definite.

Mr G says he wasn't able to work after January 2022, but because he's self-employed he didn't get signed off work by his GP. I agree with our investigator that it wouldn't be appropriate to require Albany Park to compensate Mr G for time off work if he can't show that he was medically incapacitated.

Albany Park also noted that Mr G had waiver of premium cover under Policy B. It calculated that Mr G wouldn't have paid premiums for three months if a successful claim had been made under Policy B. Based on a monthly premium of £106.79, Albany Park therefore added a further £320.37 to the compensation offer (totalling £2,945.37). Albany Park rounded this up to £3,000.

I don't think Albany Park needed to compensate Mr G for waiver of premiums. That's because the insurer returned all his premiums to him (which I understand was around six months of premiums), and therefore he didn't suffer a loss in this respect.

Albany Park would have been entitled to deduct the remaining premiums that were returned to Mr G by the insurer from the compensation figure of £2,625. I say that because if Mr G had still had cover, he would have needed to pay premiums. However, I've taken this into account under additional compensation, which I've addressed below.

Mr G is understandably unhappy that he will need to disclose to future insurers that he has had an insurance policy cancelled, and is concerned that this may impact the future cost of premiums. However, Albany Park has confirmed that it will provide Mr G with a letter explaining that it was at fault for the cancellation. This is what I would expect Albany Park to do in circumstances such as this.

Mr G thinks the impact of Albany Park's error will be long-term, and he wants it to compensate him for any future time off work due to illness. However, as our investigator has pointed out, Mr G can still apply to take out a new income protection policy. Although the insurer of Policy B said that it would not have offered him cover if it had known of his medical conditions, I see that he was able to take out Policy A in January 2019, and he had some of those conditions at the time. I haven't seen evidence to show that no other insurer would offer Mr G income protection cover. I see that Albany Park has offered to find alternative cover for Mr G if he wishes.

Having said that, I appreciate that the condition which led to Mr G stopping work in October 2021 would likely be excluded if he were able to arrange a new policy. Though we don't know that Mr G will ever stop work again in the future because of this condition, so there isn't any calculable loss in this respect. In the circumstances, I think it would be appropriate for Albany Park to pay compensation to recognise the inconvenience Mr G has been caused by the matter. Taking into account that Mr G received a refund of six months of premiums from the insurer, I'm satisfied that £350 compensation in addition to this would be reasonable.

My final decision

My final decision is that I uphold this complaint. I require Albany Park Limited to do the following:

- Pay £2,625. Interest* should be added at the rate of 8% simple per annum from the date this would have been paid by the insurer to the date of settlement.
- Pay £350 compensation.
- Give Mr G a letter confirming that Albany Park was responsible for the cancellation of the policy.

If Albany Park considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr G how much it's taken off. It should also give Mr G a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 25 October 2022.

Chantelle Hurn-Ryan
Ombudsman