

The complaint

Mr L is unhappy with Legal and General Assurance Society Limited's handling of his claim.

What happened

Mr L had income protection cover with L&G. He had two policies, one with a 26-week deferred period and the other with a 52-week deferred period. Mr L was diagnosed with a pineal cyst and was off work from March 2021. He submitted his claim in August 2021, however in October that year, L&G said it wouldn't pay him the full benefit due under his policies because Mr L had misrepresented details about his occupation, which meant it had under-charged him for both policies. Instead, it offered to pay a reduced, proportionate benefit.

Mr L said this was unfair because there wasn't an appropriate choice for his occupation. Mr L works in a health-and-safety-focussed role, where he regularly drives to locations and inspects a chosen site. He also said L&G took too long to handle his claim and that its decision not to pay the full amount of benefit seriously affected him as he had to borrow money from family members in order to pay his bills.

After Mr L brought his complaint to this service, but before our investigator issued his findings, L&G reviewed Mr L's claim and decided it'd made a mistake. It said there hadn't been a misrepresentation made and to pay his claim in full, backdating the settlement and applying 8% simple interest on that amount. L&G increased its offer of £325 compensation for the delays, to £850, plus a further £200 for making the reduced benefit payment in April 2022 (totalling £1,050 compensation for the trouble and upset caused).

Our investigator thought this was a fair offer, but Mr L didn't and so asked for an ombudsman's final decision. In summary, Mr L said the compensation awarded isn't enough to fairly acknowledge the overall trouble and upset caused. He said L&G's handling of his claim caused unnecessary pain, distress and hurt at a time when his health was severely impacted. He also said L&G's incorrect decision to pay only a proportionate amount of benefit undoubtedly made his health worse because the added pressure caused by the mistake. He added that he could have lost his home and found himself in serious financial hardship had he not been supported by his family at that time. And so, it's now for me 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.

I've decided to uphold it and mainly for the same reasons given by our investigator. It's not in dispute that L&G made a mistake by only paying proportionate benefit, and so I don't need to make any findings on that argument, rather, I must decide whether the compensation offered is fair. – which I think it is. I'll explain why.

Mr L's claim was accepted in October 2021, despite submitting his claim in August, I note

there were delays with L&G assessing notes from Mr L's doctors. However, it wasn't until June 2022 that it realised it'd made a mistake re: the alleged misrepresentation – meaning that Mr L was without full benefit for around 10 months. The first policy should have begun paying benefit in September 2021 and the second in March 2022. Mr L had to rely on his family to help pay his bills and I accept this would've caused him substantial distress, upset and worry over that period.

Mr L made arguments that he could've lost his home during that time, as well as found himself in serious money problems as a result of L&G's mistake. Whilst I cannot compensate Mr L for what might have happened, I've considered the impact it had on him personally and I agree he was fortunate to be able to rely on his family members during that time. I've not seen any persuasive medical evidence that supports Mr L's testimony that his health was directly impacted by L&G's mistake and so I make no additional award here. Mr L was still able to access treatment and there were no delays caused by the error.

Although I accept the impact of this was substantial, I don't consider it extreme – which I'd have to in order to fairly compensate Mr L to the tune of £5,000. Our investigator sign-posted Mr L to our compensation guidelines, which gives examples of the level of upset caused and the expected range of redress. I agree with our investigator that this falls within the substantial range of redress awards because Mr L was impacted for around 10 months by unnecessary delays with his claim, promised call backs not happening, not receiving the full amount of benefit from the outset and the continued money worries and embarrassment caused by having to borrow money from family. Although that's a distilled version of events, I've considered everything in the round and I think this satisfies our substantial impact criteria, which is why I feel the compensation offered is fair, because it falls within the envelope of fairness in these particular circumstances.

My final decision

My final decision is that I uphold Mr L's complaint and Legal and General Assurance Limited must now pay him £1,050 compensation for the overall trouble and upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 8 November 2022.

Scott Slade
Ombudsman