

The complaint

Mr B has complained about the way that Society of Lloyd's has dealt with his sickness claim on a mortgage payment protection insurance (PPI) policy.

What happened

Mr B first contacted the underwriters to make a claim in July 2021. It was finally accepted in April 2022 and Mr B received an initial payment of £3,600 for 12 months' worth of mortgage repayments for the period from September 2020 to September 2021. The following week it made a further payment of £600 because the cover included an extra £50 per month for mortgage related costs. It also added 8% interest to the £600 in acknowledgement of the slight delay in payment. As Mr B is unable to return to work, he thinks that the policy should cover his remaining mortgage repayments until it is fully paid off.

In response to Mr B's complaint, Lloyd's accepted that the underwriter's communication with Mr B could have been better. It therefore offered £100 compensation for any distress or inconvenience caused.

Our adjudicator thought that the underwriter had correctly paid a maximum of 12 months' benefit, in accordance with the policy terms and conditions. He also thought that the offer of £100 compensation was reasonable.

In addition, our adjudicator thought that the policy should be cancelled and the premiums refunded from the end of the claim period in September 2021, plus 8% simple interest. The underwriter agreed that such a refund would be fairest thing to do in the circumstances, although Lloyd's preference was for this particular issue to be dealt with as a new complaint. Mr B disagrees with the adjudicator's view and so the complaint has been passed to me for a 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.

The policy states that:

'A monthly benefit is payable until either the end date of the policy or you return to work or 12 monthly benefits are paid under any one disability claim – whichever occurs first'.

Mr B hasn't explained why he believes the policy would cover him for the remainder of his mortgage term, rather than just for a maximum of 12 months. But he can't have been given that impression by the underwriter as it wouldn't have had any direct contact with him at the point that he was buying the PPI.

In deciding whether the underwriter has acted fairly and reasonably, I need to look at whether it has assessed the claim in line with the terms and conditions of the policy.

Looking at the policy terms, I'm satisfied that 12 months is the maximum payable for Mr B's claim. There is no scenario in which the policy would pay out more than that. So, I consider that the underwriter has acted reasonably in ending the claim after 12 months.

Mr B says that a mistake was made because he was initially sent an unemployment claim form rather than a sickness claim form. When Mr B first made contact he spoke about compulsory redundancy as the primary reason for making a claim but mentioned medical reasons as a secondary issue. On that basis I think it is understandable that he was sent an unemployment claim form in the first instance. Whilst this may have inconvenienced Mr B slightly, I don't think it caused any great delay as later delays occurred further down the line whilst the underwriter awaited a response from Mr B's GP.

Mr B has objected to the underwriter saying that he had depression that started in 1987 which he says is untrue. I understand Mr B's explanation of the situation in 1987, that he was suffering from emotional distress due to a breakup, rather than depression. However, his medical records do mention depression stemming from 1987. The underwriter is entitled to rely on the medical evidence it receives. So, I don't find any fault on the part of the underwriter for taking this information at face value. Ultimately, this issue had no impact on Mr B's claim as it was accepted on the basis of other medical conditions that he has.

Looking at the progress of Mr B's complaint, on balance, I consider the offer of £100 compensation to be reasonable and proportionate.

The underwriter's first tier complaint response states that, as Mr B will be unable to work again, it will therefore cancel the policy. So, it's clear that the underwriter understood that it was no longer on risk and there was no possibility of Mr B making a future successful claim. However, the cancellation wasn't actioned at that time and monthly premiums continued to be taken. I appreciate Lloyd's cooperation in dealing with this issue now and confirming the underwriter's agreement to cancel the policy and issue a refund.

My final decision

For the reasons stated above, I am satisfied that Mr B has correctly received the maximum amount payable under his claim. However, Society of Lloyd's should now cancel the policy and refund the premiums Mr B has paid since the claim ended in September 2021. It should also add 8% simple interest to the refund amount. It should also pay the £100 compensation it offered to Mr B, unless it has already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 1 June 2023.

Carole Clark
Ombudsman