

The complaint

Mr H has complained that St. Andrew's Insurance Plc has not fully paid out on an unemployment claim he made on his mortgage payment protection insurance policy.

What happened

In 2021 Mr H made a claim for unemployment stemming from early 2020. St Andrew's accepted the claim with a start date of 1 March 2020. However, it terminated the claim on 4 June 2020 as the policy had been cancelled on that date because the direct debit for the premiums had been previously cancelled.

Mr H says he cancelled the direct debit because he didn't have enough money to carry on paying it and because he was unsure what the payment was for, particularly as he had difficulty contacting St. Andrew's at that time.

I wrote a provisional decision last month in which I explained why I was thinking of upholding the complaint and inviting the parties to provide any further submissions. St. Andrew's responded with some comments that I will address below.

Mr H responded to say that he accepted the provisional decision. However, his response suggests that he has slightly misunderstood what I was telling St. Andrew's to do. So I will also address that below.

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.

Under the policy terms, one of the definitions of 'End Date' is:

'the date on which a premium due has remained unpaid by You after allowing a 25 day period of grace for premium payment'.

The policy also states that:

'You must continue to pay Your premiums whilst you are claiming Benefits under this Policy.....'

Therefore, St. Andrew's was technically correct in cancelling the policy on 4 June 2020. The question I've had to consider is whether it was fair and reasonable for it to assess Mr H's claim in the way it did as a result of the cancellation.

I've seen a copy of Mr H's bank statement for May 2020, showing that the direct debit for the policy failed due to insufficient funds. It's clear that Mr H was in serious financial difficulty at that point and it makes sense that he would try to rationalise his outgoings by cancelling certain payments.

St. Andrew's consulted the underwriter about its position in ending the claim from 4 June 2020. The underwriter advised that the stance was correct because Mr H had cancelled the direct debit but did not make contact. It said that it had followed the correct procedure by writing to him and that the onus was on the customer to contact it if there were any issues or updates.

However, Mr H did try to make contact at the time, using an email address that he had found online. He emailed St. Andrew's on 31 May 2020 saying he was unsure of what the policy was for but thought that it might be buildings and/or contents insurance. He went on to explain his situation and that he had had to stop paying his mortgage and council tax. He said that he has stopped his direct debit to St. Andrew's but asks for details of the policy and proper contact details for St. Andrew's, an offer of alternative cheaper insurance and for consideration to be given to a payment suspension of at least six months. St. Andrew's has confirmed that the email address that Mr H used was incorrect. It says he would have received a bounce back message telling him the email was undeliverable. Even so, Mr H would still have been no further forward in getting the correct contact details for St. Andrew's.

To complicate matters, Mr H was abroad at the time that he became unemployed. And because of the pandemic, he got stuck there due to travel restrictions. This meant that he did not receive letters sent to him by St. Andrew's in May and June 2020 about being unable to collect the premium and then about the policy being cancelled due to non-payment. I consider this to be an exceptional circumstance that meant Mr H was unable to contact St. Andrew's at the appropriate time, which ultimately led to the policy being cancelled.

In response to my provision decision, St. Andrew's has provided evidence that it sent Mr H an annual review letter in March 2019, which would have made it clear to Mr H that the policy was to protect his mortgage repayments. It also contained a phone number for the customer services team and advises Mr H to check his personal details to ensure they were correct. St. Andrew's says it has come to light that Mr H spends around 50-60% of his time away from his address. So, if he had told it about his circumstances, it could have arranged for another correspondence address to be added to the policy.

Given that Mr H works in the travel industry, it's not surprising that he spends a lot of time away from home. I think it's more likely than not that he would still have thought of his UK address as his primary residence. So I don't think it would have occurred to him to provide an alternative address for something which, under normal circumstances, would generate very little written correspondence.

Overall, I'm persuaded by what Mr H has said about having great difficulty in finding up-to-date contact details for St. Andrew's. I wouldn't expect him to take paperwork, such as the annual review letter, away with him on work trips, on the off-chance that he might need to contact his insurer.

St. Andrew's feels that it shouldn't be held responsible for Mr H being unable to get in touch. To clarify, it's not so much that I hold it responsible for that – although it wasn't ideal that searches Mr H carried out only resulted in finding out of date contact details. It's more that I would expect St. Andrew's to look at the difficulties Mr H experienced, which resulted in the policy being cancelled, and to take those circumstances into account when assessing the claim.

As stated in my provisional decision, one of the purposes of the policy is to provide a policyholder with cover against unemployment. Mr H had acted reasonably in trying to contact St. Andrew's when he ran out of money in May 2020 as a result of becoming

unemployed in February 2020. It wouldn't be fair for his claim to fail simply because he was not in a position to pay the premiums once the insured event occurred.

If things had happened as they ideally should have, Mr H would have been able to find the correct details for St. Andrew's in May 2020 and therefore make successful contact. He would then have become aware of the need to maintain his premiums and not allow the policy to lapse. Furthermore, if Mr H hadn't been stuck out of the country, he would have seen the letters that St. Andrew's sent him in May/June 2020 and been able to respond accordingly. As it was, by the time that he was able to have any meaningful engagement with St. Andrews, it assessed that the policy had been cancelled too long for it to be reinstated.

As I've concluded that exceptional circumstances have come into play here, I would expect St. Andrew's to look behind the reasons for non-payment of the premiums from May 2020 onwards, in the interests of treating Mr H fairly. It follows that I uphold Mr H's complaint.

In response to my provisional decision, Mr H has said that he accepts the proposed settlement of 12 months of mortgage payments, less the premiums. However, to be clear to Mr H, I am asking St. Andrew's to *consider* the claim beyond 4 June 2020, rather than making a direction for it to pay the claim beyond that point. That's because I'm unaware of Mr H's circumstances after that time. So there may be other reasons, separate to the non-payment of premiums, why the remaining period of the claim might be declined. So that's for St. Andrew's to assess.

Putting things right

The assessment of Mr H's claim should not be hindered by the unpaid premiums. Therefore St. Andrew's should consider the claim beyond 4 June 2020, subject to the remaining policy terms and conditions, as if Mr H had continued to pay the premiums. However, it can deduct the amount of unpaid premiums from any claim payment.

My final decision

For the reasons set out above, my decision is that I uphold Mr H's complaint and require St. Andrew's Insurance Plc to assess the remainder of the claim as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 24 March 2023.

Carole Clark

Ombudsman