

## **The complaint**

Mr L is unhappy that Society of Lloyd's increased the premiums he was paying for his income protection policy.

## **What happened**

Mr L has had an income protection policy underwritten by Society of Lloyd's since 2017. When he took out the policy the monthly cost was £32.06. In June 2020 the premiums increased to £40.08. In June 2021 the premiums increased to £84.17 per month. Ultimately, Mr L cancelled the policy because he said he couldn't afford it at the new price.

Mr L complained to Society of Lloyd's. They explained, in summary, that the cost of the policy had increased following the impact of Covid-19 on the market. They also said the policy terms allowed them to make such changes.

Unhappy with Society of Lloyd's response, Mr L complained to the Financial Ombudsman Service. He highlighted that he was going to be made redundant and had now lost out on cover because of the increase in the price.

Our investigator upheld Mr L's complaint and awarded him £750 compensation. She said that due to the price increase Mr L had needed to let the policy lapse, at a worrying and uncertain time. She didn't think Mr L had been treated fairly.

Initially Society of Lloyd's didn't agree to the compensation the investigator recommended. However, following further correspondence they said they would take a pragmatic view and agree to the amount she'd recommended. Mr L asked an ombudsman to review his complaint. He didn't feel that the compensation offered fairly reflected his loss, particularly bearing in mind he'd lost out on a potential benefit of up to £12,000 if he'd kept the policy.

## **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 parties don't dispute the investigator's core findings in relation to this complaint. Since the investigator issued her opinion SOL has made an offer. Mr L doesn't accept that offer. So, the key issue for me to determine in this case is whether £750 compensation is fair and reasonable. I think it is because:

- Mr L cancelled the policy because he could no longer afford the increased premiums. Benefits payable under the policy stopped at the point at which the cover ended. So, after that point there's no entitlement to benefit under the contract of insurance.
- I don't think it's fair and reasonable to say Mr L should get the benefit of a policy which he'd cancelled and wasn't paying premiums for. He's effectively be getting the benefit of free income protection insurance. I don't think that's fair.

- I also can't say whether a claim would have been accepted under the policy and how long it would have been paid for in the event of a successful claim. So, I don't think paying Mr L the maximum benefit, or a proportion of it, leads to a fair and reasonable outcome in the circumstances of this particular case.
- I've thought about whether it's fair for Mr L to receive a refund of his premiums. I don't think that leads to a fair outcome either. Mr L had the benefit of cover during the time the policy was in force. The insurer was bearing the risk of him making a claim.
- I think £750 adequately acknowledges the difficult circumstances Mr L found himself in. He had a significant and unexpected increase in the cost of his premiums. This caused him a lot of worry and inconvenience because he was aware that he was facing redundancy and he couldn't afford the premiums. Also, due to his circumstances, and those surrounding Covid-19 it was difficult, and expensive, to move to an alternative insurer. I think £750 fairly reflects the distress and inconvenience this caused to Mr L during this worrying time. I don't think Society of Lloyd's needs to pay him any more compensation.

### **Putting things right**

Society of Lloyd's needs to put things right by paying Mr L £750 compensation for the distress and inconvenience caused.

### **My final decision**

I'm upholding Mr L's complaint about Society of Lloyd's and direct them to put things right in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 22 June 2023.

Anna Wilshaw  
**Ombudsman**