

The complaint

Mr W complains that Medicash Health Benefits Limited hasn't fully settled a claim he made on a healthcare cash plan.

What happened

Mr W holds a healthcare cash plan. The plan provides cover for up to half of a policyholder's dental plan fees each policy year under the 'routine treatment' section. For the 2021-22 policy year, Mr W's plan included a total routine treatment limit of £125, meaning that each year, he could potentially claim cash benefit of up to £62.50 for his dental plan fees.

In May 2022, Mr W made a claim for the plan fees he'd paid between July 2021 and May 2022. Medicash accepted Mr W's claim in part – settling £43.02. It didn't agree to pay up to the £62.50 limit because it said claims had to be made within 26 weeks of 'treatment' (in this case, the payment of each monthly dental plan premium). So Medicash declined to include the premiums Mr W had paid between July and November 2021 when it calculated the settlement.

Mr W was unhappy with Medicash's decision and he asked us to look into his complaint.

Ultimately, our investigator recommended that Mr W's complaint should be upheld. She didn't think the policy terms included a 26-week limit which would apply to the circumstances of Mr W's claim. So she felt that Medicash should settle the remainder of Mr W's claim in line with the policy limits, together with 8% interest.

Medicash disagreed and I've summarised its response. It said that Mr W had previously been aware of the 26-week limit, which was evidenced by earlier claims he'd made. It maintained that it hadn't included earlier premium payments because they were caught by the 26-week limit. And Medicash also felt that it was unfair to apply interest to any settlement, given the complaint had been with us for some time.

The complaint's been passed to 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.

Having done so, I don't think Medicash has settled Mr W's claim fairly and I'll explain why.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. So I've considered, amongst other things, the terms of Mr W's policy and the circumstances of his claim, to decide whether I think Medicash treated him fairly.

I've first considered the terms and conditions of Mr W's policy, as these form the basis of his contract with Medicash. Section 10.1 sets out the cover for 'Routine Treatment'. This says that Medicash will pay '*premiums under a dental care contract paid for by you (where stated on your benefit table as being included in your plan)*' up to the maximum amount shown in

the benefit table.

Mr W held 'Level 4' cover. His benefit table shows that he held cover for routine dental treatment up to an annual limit of £125. The benefit table says:

'Half of the annual limit can be claimed towards annual dental care plan fees.'

As such, it's clear that Mr W was entitled to claim up to £62.50 in dental care plan fees during each policy year.

Medicash has applied the following term to limit Mr W's settlement:

'We will not pay your claim unless it is received within 26 weeks of the following:

You have fully paid for your treatment; this includes payment for optical treatments, spectacles, contact lenses and optical payment plans or dental care contracts.'

Medicash says that it effectively treats each monthly payment as a treatment. Accordingly, Medicash considers that for each monthly payment to fall within the scope of cover, a claim must be made within 26 weeks of each individual payment.

But I don't agree with Medicash's interpretation of the policy terms. It seems to me that this clause indicates that claims must be made within 26-weeks of a dental care contract being *fully* paid. Mr W held an annual contract, which he paid monthly. I don't think an annual dental care contract can be considered to be fully paid until the last monthly premium for that particular policy year has been paid. I've thought about applying such a reading of the policy to the circumstances of Mr W's claim. In his case, the last monthly premium was due in June 2022 – which means that he effectively had until December 2022 to make a claim for the 2021-22 policy year.

And if Medicash did intend to only pay claims which were made within 26-weeks of each individual premium being paid, it was open to it to make this very clear in the policy terms. In my view, the policy terms are unclear and ambiguous. In such cases, it's a legal principle that an unclear policy term should be interpreted in favour of the party which didn't draft it. In this case, that's Mr W.

I appreciate that it doesn't appear that Mr W had paid the June 2022 premium and therefore, at the point of claim, his contract hadn't been fully paid. But I haven't seen any evidence that Mr W didn't pay his premium in June 2022 and, as such, I think the contract should be treated as fully paid. Medicash has referred to Mr W apparently previously understanding the way the 26-week period worked when he'd made claims in other policy years. But given the way the policy is worded; I think Mr W was reasonably entitled to conclude that his 2021-22 claim would be covered up to the policy limit. So I don't think the way Mr W previously chose to make claims should override the lack of clarity in the policy wording.

On this basis, I don't think it was fair for Medicash to limit settlement to the premiums Mr W paid between November 2021 and May 2022. I find Medicash should now recalculate the settlement, taking into account all the premiums Mr W paid for the contract during the plan year and settle the remainder of the claim in line with the applicable limit (I understand the difference is £19.48), together with interest at an annual rate of 8% simple.

It's clear that Medicash believes that an interest award is excessive, given the complaint was with us for some time. However, it was open to Medicash to settle Mr W's claim, in line with the contract, in June 2022. It didn't do so and I'm satisfied it ought to have done. Instead, Mr W had to ask our service to look into his concerns. Following Medicash's original settlement,

Mr W was without use of the remainder of the settlement I think he was reasonably entitled to. So I think that it's fair, reasonable and proportionate to award interest on the settlement amount.

My final decision

For the reasons I've given above, my final decision is that I uphold this complaint.

I direct Medicash Health Benefits Limited to settle Mr W's full claim in line with the applicable policy limit, less the settlement amount it's already paid. Medicash must pay interest on the settlement at an annual rate of 8% simple, from the date of claim until the date of settlement.

If Medicash considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr W how much it's taken off. It should also give him a tax deduction certificate 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 W to accept or reject my decision before 21 August 2023.

Lisa Barham
Ombudsman