

The complaint

Mr and Mrs H have complained about delays by Zurich Assurance Ltd in processing and settling their critical illness claim.

What happened

Mr and Mrs H had two policies providing life and critical illness cover with Zurich. In February 2022, Mr H was sadly diagnosed with terminal cancer. So they contacted Zurich to make a claim on the critical illness part of the policies.

Zurich sent Mr and Mrs H claims forms to complete. Mr and Mrs H returned these by recorded delivery at the end of March. They didn't hear anything from Zurich. So, in mid-May, Mrs H called them to find out what was happening.

Zurich told Mrs H they'd not received any paperwork from her. After Mrs H provided tracking information, Zurich confirmed they'd received the documents, but had lost them. They asked Mrs H to re-submit the claim – which she did the following day.

A further six weeks passed, during which Mrs H says she called for an update and was told the claim was being reviewed. At the end of the six weeks, Mrs H called Zurich again. This time, she was told the claim hadn't been looked at. So Mrs H made a complaint.

In their response to the complaint, Zurich apologised for the delays Mr and Mrs H had encountered and arranged to make a payment of £200 to them as a gesture of goodwill.

Mr and Mrs H weren't satisfied with Zurich's response and brought their complaint to our service. At this point, they were unhappy they were still experiencing delays. In mid-September – at about the same time the complaint was allocated to our investigator – Zurich settled the claim, paying Mr and Mrs H £203,140.14, as well as refunding premiums totalling £712.96.

Our investigator considered the complaint and initially concluded £200 wasn't sufficient to recognise Zurich's shortcomings in handling the claim. Zurich offered a further £100, which the investigator thought was fair. She noted Zurich had refunded the premiums Mr and Mrs H had had to pay while the claim was processed.

The investigator noted Mr and Mrs H's testimony that they'd used the settlement to redeem their mortgage and the delay meant they'd had to make additional monthly payments. But she said those payments had reduced the overall amount needed to redeem the mortgage – so she couldn't say Mr and Mrs H had been negatively impacted by this.

I reached a different conclusion from our investigator. So I made a provisional decision. I calculated it took Zurich 24 weeks and two days from receipt of Mr and Mrs H's claim for it to be settled. I thought that was too long. I noted that Zurich needed time to process the claim. But I thought there was delay on their part for about 15 of the 24 week period. So I provisionally decided they should pay Mr and Mrs H simple interest on the settlement figure (£203,140.14), calculated at the rate of 8% per annum, for 15 weeks – as well as paying a total of £300 compensation.

Mr and Mrs H agreed with my provisional decision. Zurich accepted they had delayed – but for only 9 weeks, rather than the 15 I'd calculated in my provisional decision. The complaint's now been passed back to me to make a final 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.

Having done that, I'm upholding Mr and Mrs H's complaint for the reasons I outlined in my provisional decision and which are summarised below.

As I said in my provisional decision, the claim would have taken a number of weeks, even if Zurich hadn't delayed at any point. And, to be fair to them, I calculated the 24 weeks not from the date they sent Mr and Mrs H a claim form, but from the date Mrs H demonstrated it was received by Zurich. Nor did I include in the 15 weeks any period where Zurich couldn't progress the claim because they were waiting for a third party to deal with something.

In response to my provisional decision, Zurich provided an alternative calculation for the delay – which they say amounts to 61 days, or just under nine weeks. However, I'm not persuaded their figures are accurate.

Firstly, they've counted working – rather than calendar – days. Sixty one working days equates to just over 12 weeks. And they've said that the delay between 29 March and 12 May was only ten working days and the delay between 28 June and 12 July is three working days. Even accepting the five working day turnaround Zurich has included, and allowing for bank holidays, these figures are clearly wrong.

So I'm satisfied that my calculation of 15 weeks' delay in this case is accurate. And, as I said in my provisional decision, I don't think that delay was fair.

Putting things right

I explained in my provisional decision that, in cases where there's a delay in settling a claim, our usual approach is that a business should pay interest on the settlement from the time it should have been paid, until it is. The interest rate we apply is 8% per annum (simple).

I've explained above why I think they delayed for about 15 weeks. So I think it's fair to direct Zurich to calculate and pay Mr and Mrs H interest on the settlement figure (£203,140.14) for the 15 weeks of delay I've calculated.

In respect of distress and inconvenience, Zurich have paid £200. Our investigator said they should pay a further £100, to bring the compensation up to a total of £300.

I provisionally decided that was a fair amount to recognise Mr and Mrs H's undoubted distress and inconvenience. Mr and Mrs H accepted my provisional decision without commenting on this part. Zurich indicated they were happy to pay it. So, on the basis neither party has made any comment which persuades me that figure was wrong that's what I think Zurich should do.

My final decision

For the reasons I've explained, I'm upholding Mr and Mrs H's complaint about Zurich Assurance Ltd and to direct Zurich to pay them:

- 15 weeks' simple interest on the settlement of £203,140.14, calculated at the rate of 8% per annum;
- £100 compensation, in addition to the £200 they've already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mrs H to accept or reject my decision before 13 July 2023.

Helen Stacey
Ombudsman