

The complaint

Mrs M's complained that Reassured Ltd didn't accurately capture the health information provided by her husband when they bought their joint life insurance policy – as a result of which the insurer declined her claim when her husband passed away.

What happened

In summer 2019, following discussions with their bank, Mrs M and her husband, Mr S, were contacted by Reassured about purchasing a life insurance policy. As part of the application, Reassured put a number of health and lifestyle questions to them and captured the answers on the application forms. Based on this information, an insurer I'll call U offered them a policy with an initial sum assured of £120,000, decreasing over a nine year term.

Mr S was sadly diagnosed with cancer in early 2020 and passed away in late 2021. Mrs M made a claim on the policy. U declined the claim. Having considered all the evidence, including records from Mr S's GP, U said Mr S had failed to disclose a fatty liver or diverticulitis at the time of purchase. They said either of those conditions would have led to them obtaining further information before agreeing cover. And, given his subsequent health issues, it was unlikely they'd ever have been able to offer cover.

U noted that Mr S had disclosed his fatty liver to Reassured but Reassured hadn't passed on that information. They said that, if she wanted to pursue this, Mrs M would need to take this up with Reassured.

Mrs M did so. In their response to her complaint, Reassured accepted they'd had information about Mr S's fatty liver, which they'd not included in the application. They said they thought U would still have considered cover if it had been. But they said there may have been other failures to disclose, which would have caused the application to be declined.

Reassured asked Mrs M for the opportunity to review the medical evidence before offering redress. Having done that, they concluded U would have declined cover because Mr S hadn't disclosed his diverticulitis. So they said the failure disclose his fatty liver made no difference to U's decision. Reassured offered £250 for the distress and inconvenience Mrs M was caused.

Mrs M didn't think this was a satisfactory resolution to her complaint and brought it to our service. Our investigator considered the complaint and concluded Reassured needed to do more to resolve it. She was satisfied that, even if Reassured had passed on all the information they'd been given by Mr S, U would still have declined the claim, because he didn't disclose the diagnosis of diverticulitis. But she thought £500 was a more reasonable sum to recognise the distress and inconvenience their errors had caused Mrs M.

Reassured agreed to pay £500 compensation. But Mrs M didn't agree with the investigator's view. So I've been asked 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 Mrs M's complaint. But I don't think Reassured need to do any more than they've already agreed to resolve it. I know Mrs M will be disappointed by my decision and I'm sorry about that. I'll explain why I've made it.

First, I want to clarify the extent of what I can consider here. The complaint's about Reassured – not about U. So I can't comment on whether U's decision to decline the claim was fair or reasonable. Rather, I'll focus on what Reassured did – and whether I think their actions were detrimental to the claim.

The key facts in this complaint aren't disputed. Mr S had two conditions – a fatty liver and diverticulitis. U have indicated that either condition would have led them to postpone offering cover, pending a review of Mr S's medical records. They decided there'd been a misrepresentation on the application, so they voided the policy and repaid the premiums.

Reassured accept Mr S disclosed the fatty liver to them, and they didn't pass that onto U. But they concluded even if they had, the outcome would have been the same, because Mr S didn't disclose the diverticulitis. Mrs M's position is that he couldn't disclose this because he didn't know he had it. She says he did disclose he had irritable bowel syndrome (IBS) having been diagnosed with this in around 2014.

I've thought very carefully about this. Because this complaint's not about U, I've not been provided with all the evidence on which they based their decision – in particular, Mr S's medical records. But I do have some medical information from Mrs M. And I have copies of the correspondence in which U explained their decision about the claim.

Mrs M has provided us with a copy of a colonoscopy report recording an examination of Mr S in 2017. It records a diagnosis of diverticulosis and refers back to the GP. Whilst this is slightly different from diverticulitis, I don't think that's relevant to this complaint, as neither was disclosed.

The report doesn't record what information the consultant gave Mr S. And I don't have the GP records. But the letter U sent to Mrs M following a review of their decision to decline the claim provides more information about diverticulitis.

The letter says:

"In terms of the diverticulitis, I note that Mr S was told this was a benign condition and that he did not need any specific treatment for it. The question about digestive disorders does not specify that benign conditions should be excluded and we would therefore have expected this to be disclosed as well. Again this would have resulted in our underwriters obtaining a medical report from Mr S's GP."

I think this shows U saw evidence – contrary to Mrs M's testimony – that Mr S did know about his diagnosis. And it's clear this would have resulted in them obtaining a medical report from his GP – regardless of whether or not they'd been told about the fatty liver.

Putting things right

I appreciate Mrs M wants Reassured to step into the shoes of U and pay the claim. I don't think it's fair to ask them to do that, because the evidence from U is that they'd have taken the action they did even if it were only the diverticulitis that wasn't disclosed. That means

Reassured's error in not including the information they were given about the fatty liver didn't change the outcome of the claim.

But I do think it's fair Reassured should pay Mrs M compensation for their admitted failure to include information about Mr S's fatty liver in the application and for other errors the investigator identified. I agree with her view that £500 is a reasonable amount of compensation for this.

My final decision

For the reasons I've explained, I'm upholding Mrs M's complaint about Reassured Ltd and directing Reassured to pay her £500 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 15 November 2023.

Helen Stacey
Ombudsman