

## **The complaint**

Mrs R complains that Unum Ltd wrongly informed her that it would review her group income protection insurance claim in May 2024. However, Mrs R's contractual benefit period ended in October 2023. Mrs R says Unum's mistake has had an adverse impact on her financial situation and has caused her significant trouble and upset.

## **What happened**

The background to this complaint is well-known to both parties. So I've simply set out a summary of what I think are the key events.

Mrs R is insured under her employer's group income protection insurance policy. The policy provides cover in the event a policy beneficiary is incapacitated due to illness or injury. This particular contract says that Unum will pay an incapacity claim for a limited benefit period of 24 months.

In April 2021, Mrs R was unfortunately signed-off work suffering from a form of cancer. So her employer made an incapacity claim on her behalf. Unum accepted Mrs R's claim in September 2021. Unum let Mrs R's employer know that benefit would be paid from 8 October 2021; that there was a limited benefit period of two years and that the latest termination date would be 7 October 2023.

Unum periodically reviewed the claim in line with the policy terms and conditions. And it was satisfied that benefit remained payable. In May 2023, it carried out a further review of Mrs R's claim. It sent her a letter dated 24 May 2023, which stated that its review was complete and it had continued liability. It also told Mrs R that the claim would be reviewed in May 2024.

However, in October 2023, Unum terminated the claim in line with the policy benefit period. Mrs R was very unhappy with Unum's decision as she said she'd believed that the claim would be paid until at least May 2024, in line with Unum's letter. Both she and her employer complained to Unum about its decision to stop paying the claim.

Unum maintained that its policy liability had ended in October 2023, in line with the contract terms. So it said it had been entitled to stop paying Mrs R's claim at that point. But it acknowledged that its letter of 24 May 2023 had wrongly referred to Mrs R's claim being reviewed again in May 2024. So it offered to pay Mrs R £200 compensation to reflect the upset its error had caused her.

Mrs R remained unhappy with Unum's decision. She was also unhappy with the way Unum had responded to her complaint, as she felt there'd been delays in its response and also because it had wrongly sent its final response letter to a contact at her employer's intermediary who no longer worked there. So she asked us to look into her complaint.

Our investigator didn't think Mrs R's complaint should be upheld. He felt the policy terms made the policy benefit period clear and he also felt Unum had clearly explained the benefit term when it initially accepted policy liability. Therefore, he didn't think Unum needed to pay

Mrs R benefit beyond October 2023. But he did think Unum's error had caused Mrs R some distress and inconvenience. He considered the compensation Unum had already offered Mrs R was fair and reasonable to put things right.

Mrs R disagreed. In brief, she felt Unum's letter of May 2023 had changed the terms of the contract to mean that the claim would remain in payment and had accordingly reset her expectations. She said Unum hadn't picked-up on its error until she'd raised it with her employer. She stated the May 2023 review had been the first comprehensive review Unum had completed during the course of the claim. And she questioned why this had been done if there had only been a matter of months left before benefit was due to end. She told us that this wasn't a simple error – it had had real financial and emotional consequences on her life. Mrs R felt Unum should honour its letter of 24 May 2023 and continue to pay benefit. She also remained unhappy with the way Unum had responded to her complaint.

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, whilst I'm very sorry to disappoint Mrs R, I don't think Unum needs to pay any further benefit and I'll explain why.

First, I'd like to reassure Mrs R that whilst I've summarised the background to her complaint, I've carefully considered all she's said and sent us. I was very sorry to hear about Mrs R's illness and it's clear she's in a difficult, worrying and distressing situation.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. So I've considered, amongst other relevant considerations, the policy terms and the circumstances of this claim, to decide whether I think Unum has treated Mrs R fairly.

I've first considered the policy terms and conditions, as these form the basis of the contract between Mrs R's employer and Unum. Mrs R's employer agreed the cover terms with Unum and the premiums paid for the policy reflect the level of cover Unum agreed to provide.

Page 12 of the contract explains that an employer can choose how long benefits will be paid for. It says:

*'When setting up the policy you can choose from the following options:*

...

- *Benefit to be paid for a limited period of 2, 3, 4 or 5 years.'*

The policy schedule, setting out a summary of the cover selected by Mrs R's employer, states that the benefit payment period is 24 months.

And page 36 of the contract says:

*'When benefit payments end*

*We will stop paying benefits for a member on the earliest of:*

...

- *The date the limited benefit payment period ends.'*

I'm satisfied then that Mrs R's employer and Unum agreed that benefit would be paid for a two-year period. As Unum began paying benefit on 8 October 2021, under the terms of the contract, I find it was reasonably entitled to terminate the claim on 7 October 2023. I can see too that when Unum first let Mrs R's employer know, in September 2021, that liability had been accepted, it made it clear that cover would end on 7 October 2023. It seems Mrs R acknowledges that she was aware at the outset as to when the payment period was due to end.

The contract terms, in line with most, if not all, income protection insurance policies, allow Unum to carry out periodic reviews of claims to ensure benefit remains payable. I can see that a review happened in January 2022. In May 2023, given there was broadly a further four months of the benefit period remaining, I don't think it was unusual or unfair for Unum to carry out a further review.

What is clear though is that following that review, Unum wrongly told Mrs R, in writing, that a further review would be carried out in May 2024. The letter was correct in so far as it confirmed that following the review, liability had been continued – because at the point, Unum was still paying Mrs R's claim. But given the payment period was due to end in October 2023, it was clearly a mistake for Unum's letter to state that the claim would be reviewed again in May 2024. So I need to think about what I think fair redress for this error would be.

I don't doubt Mrs R's testimony that this letter unnecessarily raised her expectations. And I don't doubt how disappointing and upsetting it was for her when she learned that, in fact, the original benefit end date would stand. But I don't think I could fairly or reasonably conclude that the mistake amounted to a change in the contract terms. After all, as I've explained, the contract was between Mrs R's employer and Unum. And no such contractual amendment had been made. Neither do I think it would be fair for me to say that Unum should step away from the contract terms in this particular case and make its mistake true. That's because I do think the policy terms and conditions are sufficiently clear as to the level of cover Unum had agreed to provide; Mrs R had received the full benefit she was contractually entitled to; and Mrs R acknowledges that she had been aware that cover was due to end in October 2023. As such then, I'm not persuaded that Unum needs to pay Mrs R any further benefit.

With that said, it's very clear that Mrs R has been put to some trouble and upset as a result of Unum's error. I think this would have caused her additional distress on top of her financial worries and the seriousness of her illness. That means I think it was right and fair for Unum to recognise this and to offer to pay Mrs R compensation. In my view, the award of £200 it's already offered her is reasonable and proportionate to take into account the likely impact of its administrative error and its mistake in sending its final response to Mrs R's complaint to a contact at the intermediary who no longer worked there. So I think Unum should now pay Mrs R £200 compensation if it hasn't already done so.

Overall, I sympathise with Mrs R's position because I understand she has real concerns about her health and her financial situation. But I'm satisfied Unum acted reasonably when it terminated benefit for her claim. And I also find that it's already made a fair offer of compensation to reflect its mistake. So I'm not directing it to do anything more.

### **My final decision**

For the reasons I've given above, my final decision is that it was fair for Unum Ltd to terminate Mrs R's benefit in October 2023.

But Unum Ltd must pay Mrs R the £200 compensation it previously offered her if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 7 June 2024.

Lisa Barham  
**Ombudsman**