

The complaint

Mr C is unhappy that Royal & Sun Alliance Insurance Limited ('RSA') stopped assessing a claim made under a group insurance policy which included personal accident cover ('the policy') after the policyholder withdrew the claim made on his behalf.

What happened

Mr C sustained a back injury, and a successful claim was made under the policy in 2017 for the temporary total disablement benefit for a maximum period of 24 months. A request was then made to consider a claim for permanent total disablement (PTD) benefit – which under the policy is a lump sum payment.

RSA began to assess a claim for PTD. In early 2020, RSA requested medical evidence from Mr C's medical professionals including a professional opinion on whether Mr C had been left permanently and totally disabled as a direct result of his accident in 2017. And whether it rendered him unable to return to his usual occupation, or whether a full recovery was anticipated. RSA didn't receive a reply, although it did chase for a response.

Whilst RSA waiting for this information, the policyholder contacted RSA and raised concerns about Mr C's eligibility for the PTD benefit. That was because it said Mr C was working again in a similar role. The policyholder said it no longer wanted to pursue the PTD claim on behalf of Mr C. The claim was withdrawn and closed in July 2020.

Mr C accepts that he is working again but says that the role is different to the one he was doing when he was injured. Unhappy, he complained to RSA.

RSA issued a final response letter in January 2023 maintaining its position that it acted appropriately by closing the claim on the policyholder's request.

Our investigator issued his view in February 2024 recommending this complaint be upheld. He recommended that RSA re-open the PTD claim and continue its assessment. He also recommended RSA pay Mr C £500 compensation for distress and inconvenience.

RSA didn't respond. So, this complaint has been passed to me to consider everything afresh 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.

The decision to stop assessing the claim made for PTD

RSA has an obligation to handle insurance claims fairly and promptly. And it mustn't unreasonably decline a claim.

The policy terms and conditions say:

If during the Operative Time the Insured Person sustains bodily injury following an Accident which within two years is the sole and independent cause of...Disablement the Company will pay to the Insured the appropriate Benefit shown in the Schedule subject to the Maximum Incident Limit (and inner limits where applicable) as detailed in the Schedule

That includes:

Permanent Total Disablement from the Insured Person's usual occupation in the Business

The claim was made on a group insurance policy, which Mr C is a beneficiary of. However, he isn't the policyholder. The insurance contract is between RSA and the policyholder. The policyholder is the 'insured' and Mr C is an 'insured person' as defined by the policy terms.

The general claims settlement conditions of the policy terms and conditions include a section on "third party contract rights". It says:

No person other than the Insured or the Company may enforce the terms of this Policy and the provisions of the Contract (Rights of Third Parties) Act 1999 do not apply.

As such, I'm satisfied that Mr C doesn't have a standalone contractual right to pursue a claim under the policy. Only the policyholder can enforce the terms of the policy.

Although that's the contractual position, I'm also satisfied RSA has an overarching responsibility to treat Mr C fairly. I'm not persuaded that the reasonableness of RSA's actions here is solely determined by whether or not Mr C would be able to enforce the contract himself.

Mr C is a beneficiary of the contract of insurance taken out by the policyholder - who had initially submitted a claim on his behalf, which was in the process of being assessed. So, I'm satisfied RSA was still under an obligation (amongst others) to handle the claim fairly.

In the circumstances of this complaint, I don't think RSA did treat Mr C fairly by stopping the claim even though it was acting on the instruction of the policyholder.

If Mr C had met the definition of PTD, he would've benefitted from a lump sum being paid under the policy for his benefit. By stopping the claim when it did, I think RSA unfairly denied Mr C the opportunity of his claim being assessed.

The reasons the policyholder had for withdrawing its support for Mr C's claim is relevant to whether Mr C met the definition of PTD. Those reasons can be considered along with the overall medical evidence and Mr C's relevant job descriptions when RSA considers whether the claim for PTD has been established according to the policy definition.

Providing the policy documents

Although, Mr C is a beneficiary of the policy, he isn't the policyholder. So, I'm persuaded RSA has acted reasonably by not providing him with the policy documents. I don't think it was under any obligation to do so.

Distress and inconvenience

I'm satisfied Mr C has been put to unnecessary upset in this case by RSA's decision to close the claim, particularly given that RSA was in the process of obtaining a medical opinion to assess the claim. I'm also persuaded that RSA's actions have unnecessarily caused a significant and unreasonable claim delay.

I think £500 compensation fairly reflects the impact on Mr C.

Putting things right

I direct RSA to:

- re-open and continue assessing the claim made for the benefit of Mr C for the PTD benefit (which includes obtaining the relevant medical evidence it requires to assess the claim).
- pay Mr C £500 compensation for distress and inconvenience.

My final decision

I uphold this complaint and direct Royal & Sun Alliance Insurance Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 24 April 2024.

David Curtis-Johnson
Ombudsman