

The complaint

Miss F has complained that Covea Insurance plc ended a claim she made for unemployment on her mortgage payment protection insurance (PPI) policy after making only one month's payment.

What happened

Miss F is self-employed, working in both private practice and under contract for other organisations. On 30 June 2023, a contract that was providing her with significant portion of her weekly work came to an end, so she made a claim on the PPI policy.

Covea paid out on the claim for the period 1 – 30 July 2023. But it then told Miss F that the claim had been declined going forward.

Our investigator thought that Covea had acted fairly and reasonably, in line with the policy terms. Miss F disagrees with the investigator's opinion and so the complaint has been passed to me for a 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.

I've carefully considered the obligations placed on Covea by the Financial Conduct Authority (FCA). Its 'Insurance: Conduct of Business Sourcebook' (ICOBS) includes the requirement for Covea to handle claims promptly and fairly, and to not unreasonably decline a claim.

Prior to 1 July 2023, Ms F was working around 20 hours per week. Having lost her regular contract, that dropped down to below 16 hours per week. Miss F made a claim on the PPI because she believed that the policy covered her for that scenario.

The reasons Covea gave for declining the claim were a bit confused initially. But ultimately, in responding to her complaint, it confirmed that it had declined it because she had not permanently ceased trading and was still generating an income from her self-employment.

Looking at the policy terms, they state:

'Self-Employed

If you are self-employed you will need to provide the following to be entitled to claim for unemployment benefit:

- *satisfactory proof that you have involuntarily and permanently ceased trading because you could not find enough work to meet all your reasonable business and living expenses and have declared this to HM Revenue & Customs'*

Under the section about making a claim, the policy states:

'Unemployment Claims

When you make a new claim for unemployment cover, the information we may require depends upon whether you were, at that time, employed or self-employed:

Where you were self-employed we will require:

- evidence that your business has ceased or suspended trading because you could not find enough work to meet all your reasonable business and living expenses. We may require evidence such as that you have declared this to HM Revenue and Customs, bank statements, accounts, or a letter from your accountant with evidence that your business was no longer viable, that your business has ceased or suspended trading and that you are not receiving an income from the business'*

This requirement was reiterated to Miss F when she contacted Covea to make the claim. On 14 June 2023 it sent her information about getting her claim started, which included the need for evidence that her business had permanently trading. Again, on 29 June 2023 it said it still needed some additional information, including evidence from HMRC that she was no longer trading or from her accountant that she was no longer receiving an income.

Overall, I think that the policy wording makes it clear that a self-employed person would need to permanently cease trading and declare that to HMRC.

As Covea explained in its final response letter, outside of the policy terms, it would also likely accept claims from self-employed people who could show that they were no longer generating an income from self-employment.

Miss F doesn't fit into either of these categories as she had not permanently ceased trading and was still generating an income.

She believes Covea has made a mistake in assessing the claim because it has calculated her average salary, rather than the hours she is working. However, that isn't the problem. The issue is that, to benefit from the unemployment cover, she would need to not be working at all and be receiving no income at all.

So, whilst Miss F is adamant that the policy provides cover as long as she is working below 16 hours per week, looking at the policy terms, I can't agree that is the case.

Although Miss F says her policy renewal document confirms her belief, the reference to working less than 16 hours there relates to the eligibility criteria for holding the cover, rather than being claims related.

Covea's final response letter mentions that, if someone makes a successful claim for unemployment and then starts a new job that it less than 16 hours per week, then the claim could continue as long as the person is still looking for work and is eligible for jobseeker's allowance. But that's about starting a completely new, part-time job. It does not mean that a self-employed person can carry on their old job but with reduced hours.

Miss F says that she had two previous claims accepted before under the same circumstances. One in 2012, which I understand was a sickness claim, and one in 2016 (where she didn't end up receiving a payout as she secured other work straight away). I don't know the details of those claims and so can't comment on them or why the underwriter accepted the claims at those times. I am only considering whether Covea has acted reasonably in declining the claim in this instance.

It is the case that Covea paid out for one month of this claim, which appears to have been in error. But Covea has not asked for the return of the £921.56 it paid for July 2023, which I consider to be fair.

I do appreciate that Miss F says she would never been in a position to totally cease trading because she needs to keep up her professional registration. And it makes sense that she would continue with her remaining clients whilst looking to build up new work. However, the question is whether that scenario is covered under the policy terms – and I'm afraid to say that it is not.

I've thought very carefully about what Miss F has said. I appreciate she feels very strongly that the policy should provide cover in the event that her work drops to below 16 hours per week. However, based on the available evidence, I am satisfied that is not the case.

Therefore, whilst I know it will be disappointing for Miss F, I'm unable to conclude that Covea has done anything wrong. It was reasonable for it to decline the claim for unemployment, in line with the policy terms and conditions.

My final decision

For the reasons set out above, I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 31 May 2024.

Carole Clark
Ombudsman