

The complaint

Mrs W complains about the amount Casualty & General Insurance Company (Europe) Ltd paid to settle a claim on her pet insurance policy.

What happened

Mrs W made a claim on her policy for vet's fees. Casualty & General initially rejected the claim but after she complained, agreed to settle it.

The amount claimed by Mrs W was £1,835.90. The benefit limit on her policy is £1,000. So Casualty & General deducted £835.90 as being above the benefit limit. It then made further deductions for the policy excess of £90, a co-payment of £136.50 and outstanding premiums of £95.76.

After deducting these amounts, Casualty & General paid £677.74 to Mrs W to settle the claim. Mrs W complained about the amount paid but Casualty & General said it had been calculated correctly.

When our investigator considered the complaint, she said the way Casualty & General had dealt with the deductions was unfair – it should have made the deductions from the amount claimed (£1,835.90) not from the benefit limit.

Casualty & General disagreed and requested an ombudsman's decision. It says the benefit limit and deductions are set out in the policy terms and have been applied in line with those terms.

Before issuing my decision, I contacted both parties explaining that I agreed with the investigator that deductions should be made from the amount claimed, not from the benefit limit, so the claim should be settled on that basis. But that wouldn't apply to the outstanding premium, which Mrs W would need to pay. So Casualty & General may deduct the amount outstanding of £95.76.

Mrs W questioned why she would need to pay any further premium after she had cancelled her policy.

Casualty & General made a number of further comments, including:

- Mrs W bought a policy with a benefit limit of £1,000. So she's covered for this amount less the excess or deductions as set out in policy terms.
- The claim was for £1,835.90 but £835.90 of that amount is simply not insured – so it's for Mrs W to pay that to the vet. She doesn't have a policy that covers £1,835.90. It just provides cover up to £1,000 per condition less amounts that are not insured, such as the excess.
- The starting point for reviewing a claim is to look at the insured amount, which in this case is £1,000. It has not agreed to cover claims or review any claim higher than the policy limit of £1,000.

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 relevant industry rules and guidance say insurers must deal with claims promptly and fairly and not unreasonably reject a claim. They have a duty to give consumers the information they need in a way they can understand, so they can make good financial decisions, without having key information buried in lengthy terms and conditions. The information should be clear, fair and not misleading.

The policy provides cover for vets' fees subject to certain limits and conditions. The benefit limit is £1,000.

The claim was for £1,835.90. So that's the starting point. As that's above the benefit limit, Casualty & General didn't have to pay the claim in full, and it was entitled to deduct the excess and co-payment. But I've considered whether it dealt with the deductions fairly.

The policy clearly sets out the claim limit of £1,000 for vet's fees, with a £90 excess per claim and a co-payment of 15% of the vet fees. That's not disputed. So Mrs W would have been aware that the excess and co-payment would be deducted from any claim.

But the policy says it covers £1,000 per condition per policy year. The policy schedule says

"We will pay up to the maximum Benefit Limits as shown..."

The benefit limit was £1,000. Mrs W could reasonably expect this is what she would receive if she needed to claim – the policy says claims will be paid up to that amount.

If the excess and co-payment are deducted from the benefit limit, the most that would be paid would always be less than £1,000.

While the policy terms say Casualty & General would make the deductions, it is not clear how this will be done. And the key documents say it will pay up to £1,000. A policyholder shouldn't have to read further to confirm whether this was accurate or not. It's misleading to say the limit is £1,000 in these circumstances, where deductions mean that amount would never in fact be paid.

The deductions for the excess and co-payment should be made to the amount claimed of £1,835.90. That would leave an amount of more than £1,000. As that's above the benefit limit, Casualty & General only need to pay up to the limit of £1,000.

Although Mrs W could cancel her policy, the policy terms say if a claim has been made, the full annual premium will be due and may be deducted from any claims settlement. That's not unusual and is in line with standard practice. Any outstanding premiums would need to be paid, so it's fair that Casualty & General deduct those from the benefit limit. Otherwise Mrs W would benefit unfairly by receiving the claim payment without having paid all the premiums that should have been paid. So Casualty & General may deduct the outstanding amount of £95.76.

Taking £95.76 from the benefit limit means the amount that should have been paid to Mrs W is £904.24.

Casualty & General has paid £677.74 so it needs to pay the difference of £226.50.

My final decision

I uphold the complaint and direct Casualty & General Insurance Company (Europe) Ltd to pay £226.50 together with interest at 8% simple per year, payable one month from the date the claim was made up to the date of payment.

If Casualty & General Insurance Company (Europe) Ltd considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs W how much it's taken off. It should also give Mrs W a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 4 June 2024.

Peter Whiteley
Ombudsman