

The complaint

Mr D is unhappy that ReAssure Life Limited reduced the monthly benefit he was receiving under an income protection policy, and also stopped covering the waiver of premium benefit.

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here. I'll focus on giving the reasons for my 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.

ReAssure has an obligation to treat customers fairly.

I appreciate that Mr D will be very disappointed but for the reasons set out below, I don't uphold his complaint.

Reducing the income benefit to take into account income declared on Mr D's tax return (year ending 2021)

Mr D's tax self-assessment for the year 2020/2021 reflects that he made around £12,600 profit from self-employment.

The policy provides a monthly benefit, and the policy terms say the income benefit can be reduced for "deductions" which includes "any earnings you continue to receive from any source".

I'm satisfied ReAssure has fairly and reasonably concluded that the self-employed work Mr D was doing in 2020 amounted to earnings and should be deducted from the income benefit. It was profit that he'd declared on his self-assessment tax form.

I've taken into account that Mr D declared a profit for self-employment for the tax year 2019/2020. However, the profit declared for the tax year 2019/2020 was considerably lower than the profit declared for 2020/2021. And although it doesn't look like ReAssure took into account the profit declared by Mr D for 2019/2020, I don't think it's acted unfairly by treating the profit declared for the following tax year as earnings to be deducted from the income benefit. Particularly as the profit declared was much higher.

I've also taken into account why Mr D says he ended up with a bigger surplus for the tax year 2020/2021 and that he planned to reinvest that money into his business. However, I'm satisfied that the profit was declared Mr D's tax self-assessment and as such, ReAssure has fairly concluded that it amounted to earnings to be deducted from the monthly benefit.

So, I think ReAssure has acted fairly and reasonably by reducing the income benefit to take into account the profit declared for the tax year 2020/2021.

Waiver of premium benefit

Mr D also had a policy which provided waiver of premium benefit which ReAssure stopped. I'm satisfied that it fairly and reasonably relied on the terms of this policy when doing so.

The relevant policy terms say that waiver of premium benefit is payable in particular circumstances including when Mr D is "disabled" as defined by the policy.

The policy says: "disability shall mean total incapacity by reason of accident or illness which, in the opinion of the Company, prevents the Life Assured from following his usual gainful occupation or any other occupation for which he is fitted by his knowledge or training **and is not following any occupation for remuneration, profit or reward**" [my emphasis].

As Mr D declared a profit from his self-employed venture in his tax self-assessment, I'm satisfied that ReAssure has fairly and reasonably concluded that he no longer met the disability definition as this amounted to 'following an occupation for remuneration, profit or reward'. I'm satisfied that he no longer met the requirements of the waiver of premium benefit and ReAssure fairly notified Mr D that as of early 2022 he was responsible for paying the policy premium.

Call recordings

I'm satisfied that ReAssure should've better handled Mr D's request for certain call recordings to be sent to him. I'm persuaded that this put him to unnecessary inconvenience of having to chase the recordings and this also caused him some unnecessary frustration and upset.

I'm satisfied £100 compensation fairly reflects the impact on Mr D in respect of these errors.

My final decision

I partially uphold Mr D's complaint and I direct ReAssure Life Limited to pay £100 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 5 September 2024.

David Curtis-Johnson
Ombudsman