

## **The complaint**

Mr and Mrs C are unhappy with the service Vitality Health Limited (Vitality) provided when requesting changes on their private medical insurance policy.

## **What happened**

Mr and Mrs C have a private medical insurance policy which they renewed in March 2023. Vitality is the underwriter of the policy.

Mrs C contacted Vitality in June 2023 to add their new-born son to their policy. As she hadn't heard from Vitality, she contacted it again in September 2023. Unhappy with the service they received from Vitality, they made a complaint to it.

Vitality responded and said their new-born son had been added to the policy and they'd also applied a 12.5% discount to the premiums. It also apologised and paid £100 compensation for the service Mr and Mrs C received. Vitality also informed Mr and Mrs C that back-dated premiums were due on the policy from when their son had been added onto the policy.

Unhappy with Vitality's response, Mr and Mrs C brought their complaint to this service. Our investigator upheld the complaint. He didn't think Vitality had acted fairly and said Mr and Mrs C had experienced a level of frustration and disappointment over several months and which went beyond what should be reasonably expected. He recommended that Vitality pay Mr and Mrs C £250 total compensation in recognition of this.

Mr and Mrs C accepted the investigator's findings. But Vitality didn't. It asked for the complaint to be referred to an ombudsman. So, it's been passed to me.

Vitality says £250 is an excessive amount for the issues Mr and Mrs C experienced. It thinks £100 is sufficient for what happened.

It says Mr and Mrs C didn't have to consistently chase over a period of several months. And it received no contact at all between 28 June 2023 to 15 September 2023 from them. It didn't have to offer to backdate their son's cover at all. While there were service issues, Vitality did its utmost to put Mr and Mrs C back in the position as if their son was added in June 2023. It applied a discount to the premiums, agreed the moratorium terms on the policy and offered £100 compensation. So, the recommendation of £250 compensation isn't justified and is excessive.

## **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 insurance industry regulator, the Financial Conduct Authority ('FCA'), has set out rules and guidance for insurers in the 'Insurance: Conduct of Business Sourcebook' ('ICOBS').

ICOBS says that insurers should act honestly, fairly, and professionally in accordance with the best interests of their customers.

It's important to point out that we're an informal dispute resolution service, set up as a free alternative to the courts for consumers. In deciding this complaint I've focused on what I consider to be the heart of the matter rather than commenting on every issue or point made in turn. This isn't intended as a discourtesy to either party. Rather it reflects the informal nature of our service, its remit, and my role in it.

The key issue in dispute here is the £250 compensation that's recommended for the level of service that Vitality provided. I'll be focusing my decision therefore on whether I think that amount is fair and reasonable.

Mr and Mrs C's son was born on 30 April 2023. Soon after, Mrs C completed an online request for a call-back.

As she hadn't received a call-back, she telephoned Vitality on 28 June 2023. In this call, Mrs C explained she was looking to discuss the premium renewal increase from March 2023 and wanted to add their new-born son to their policy. The advisor apologised for the lack of contact and said he would see if the discount that was applied at the time could still be applied and would arrange to add their son to the policy. However, having spoken to the underwriting team, he was made aware that the discount couldn't be applied due to the time that had passed since renewal. He called Mrs C and left a voicemail that he couldn't do this. He asked Mrs C to call back.

In the meantime, the underwriting team had agreed to apply the discount, but this wasn't actioned, and Mr and Mrs C continued to pay the same premium.

Mrs C called Vitality on 15 September 2023 to chase her request about adding her son onto the policy. The advisor said this hadn't been actioned and they agreed to add their son on from birth, with any medical history disregarded. He explained that once it had been referred to the underwriting team to be approved, the premiums would increase as they would be backdated from when their son would have been added. She would be contacted again. Mrs C didn't receive the promised call-back to confirm this had been actioned.

Mr and Mrs C made a complaint to Vitality for the poor service they had received. The advisor called Mrs C on 16 October 2023 and apologised for not calling back. He confirmed he would be adding their son to the policy on that same day. Mrs C was unhappy and said she didn't think she should be liable for the increase in premium because Vitality had made the error in not actioning her request. The administration team had also failed to apply the 12.5% discount on the policy which had been agreed by the underwriting team.

Following a call between Vitality and Mrs C on 24 October 2023, the 12.5% discount was applied and it was agreed that the monthly payments had been reduced to £78.08 and the remaining payments to be £95.70 going forward.

Vitality apologised and offered £100 compensation for the distress and inconvenience caused to Mr and Mrs C for its failings.

Having reviewed what happened, I agree with our investigator that in total, £250 compensation is fair and reasonable for what happened here. I say this because:

- Vitality failed to call Mrs C back on two occasions despite being promised it would do so.
- The discount that was to be applied on the policy hadn't been communicated. I can

see messages had been received from Vitality's underwriting team, but this wasn't communicated to Mr and Mrs C.

- It took from the end of April 2023 to October 2023 for the initial issue – that is to add their son onto the policy – to be resolved.
- During this time, further errors in administration of the policy had happened. For example, when their son was added to the policy, his name had been incorrectly spelt. I note in Vitality's final response, Vitality has mis-spelt their son's name even though Mrs C had provided it with his birth certificate. It also took a while for the 12.5% discount to be administered correctly on the policy.

I acknowledge Vitality's comments that Mrs C didn't call back when voicemails were left for her. I agree, but I've also considered that she had just given birth and later there were complications with regards to the baby's health, while all of this was going on with Vitality. And even if she hadn't called back, I would have expected Vitality to call again as it had received responses from its underwriting team and call-backs were promised.

I've also considered that premiums on a policy must be paid for risk to be placed on the policy. But the overall time it took for the issue to be resolved has meant that backdated payments had to be made as a one-off payment. And if the key issue been resolved as would have been expected, it would have been easier for Mr and Mrs C in terms of their budgeting.

The issue regarding the 12.5% discount on the policy took longer than it should have to be resolved. While the underwriting team had carried out the necessary arrangements on the policy, this wasn't communicated promptly. And the policy therefore was also not administered as expected.

I understand that Vitality did its utmost to resolve the issues and feels £100 is fair compensation for what happened. But while it did ultimately do this, I think Vitality had opportunities to put the matter right, but it took longer than it should have. This caused frustration, distress and inconvenience to Mr and Mrs C that went beyond what should have been expected.

Overall, therefore, I'm satisfied that £250 compensation in total (£150 in addition to the £100 Vitality offered to Mr and Mrs C) for the distress and inconvenience caused is fair and reasonable in the circumstances of this complaint.

### **Putting things right**

Vitality should put things right by:

- Paying Mr and Mrs C £250 total compensation for the distress and inconvenience caused by its poor service and communication.

### **My final decision**

For the reasons given above, I uphold Mr and Mrs C's complaint about Vitality Health Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs C to accept or reject my decision before 19 September 2024.

Nimisha Radia  
**Ombudsman**