

The complaint

Miss V complains that Cover-More Blue Insurance Services Ltd (“Blue Insurance”) sold her a lifetime pet insurance policy but the terms of the policy were changed, which left her without cover for a condition she wanted to claim for.

What happened

Miss V took out pet insurance for her pet dog in April 2019. The policy offered lifetime cover for her dog. She renewed the policy in April each year.

When Miss V renewed the policy in April 2021, Blue Insurance told her the policy would be underwritten by a different insurer as from the renewal.

In January 2022 Miss V made a claim on the policy for treatment costs after her dog had hip replacement surgery. The total invoice for the treatment was £7,917.63. The claim was settled but a deduction was made for the policy excess and £3,093.72 was deducted for the cost of a prosthesis used in the surgery, leaving the amount payable at £4,724.91.

Miss V complained that the full cost had not been covered. She was told the policy exclusions had changed and there was no longer cover for the cost of prosthetics.

We considered a complaint about the insurer’s decision separately and Miss V then made this complaint about the way Blue Insurance had dealt with the sale and renewal of the policy.

Our investigator said the new insurer was entitled to set the terms for the cover it was prepared to provide. But any changes should not make a considerable difference to the policy and changes should be made clear. She thought the information provided by Blue Insurance at the policy renewal had not been clear. She asked Blue Insurance to pay compensation of £500 for the distress caused to Miss V.

The investigator also said Blue Insurance had previously told Miss V it would pay interest that had accrued on the additional vet’s fees she had incurred but Miss V hadn’t received it. So she asked Blue Insurance to pay this.

Miss V was unhappy that the investigator had not asked Blue Insurance to reimburse the treatment costs.

The investigator considered this but said even if Miss V had known about the changes to the policy, she would not have changed to another insurer. So she would still have had to pay the additional treatment costs herself. She didn’t think Blue Insurance should have to reimburse these costs.

Blue Insurance accepted the investigator’s recommendations but Miss V disagreed and requested an ombudsman’s decision. She said:

- She bought life cover for her dog and the policy did not have this particular exclusion when she bought the policy.

- The vets verified the policy cover before proceeding with the surgeries but when the policy was renewed, exclusions were added and they were not communicated or highlighted to her, even though the insurer was aware of the upcoming surgery following the hip dysplasia diagnosis.
- She's seeking all the treatment costs to be paid, otherwise she's left out of pocket.

I issued a provisional decision saying I was minded to uphold the complaint and direct Blue Insurance to compensate Miss V for the treatment costs she'd had to pay, as well as for the distress and inconvenience caused to her. I set out my reasons as follows:

Blue Insurance sold the insurance to Miss V and is responsible for issues relating to the sale and renewal of the policy. On a sale, it should provide information that's clear, fair and not misleading, in line with the obligations under the relevant rules, so the customer can make an informed choice about whether to take out the policy.

The insurer provides the cover and is responsible for claims on the policy. When the new insurer took on responsibility for the insurance, it changed some of the terms and this meant Miss V wasn't covered for the cost of the prosthetic used in the surgery.

Insurers may decide what risks they wish to cover. So the new insurer could decide what cover it wished to provide, and what exclusions to place on that cover. But Miss V had bought a policy which said it provided "Lifetime Cover"; as long as she continued to renew the policy and pay the premiums, she reasonably expected her pet to be covered for life.

Our investigator considered what happened at the renewal of the policy. I agree the information provided then wasn't clear and didn't give Miss V the information she needed to make a decision about renewing the policy. But I've also considered what happened at the sale of the policy.

As the business that sold the policy to Miss V and made the promise to cover her pet for life, Blue Insurance is responsible for any complaints arising from the promise of lifetime cover not being kept.

The policy terms said "At the renewal of your policy we may change the amount of your premium, fixed excess or percentage excess; and/or make changes to the policy wording or cover offered."

So this did allow for changes to be made to the policy. But that doesn't necessarily mean that any changes made at renewal will be fair. It might be fair to make some changes – for example, reviewing the premium to be paid or the level of excess. But it wouldn't generally be fair to make a change that restricts the cover being provided.

I need to consider whether the change in this case is reasonable.

The policy originally had an exclusion for prosthetic limbs so Miss V knew that, although her pet was covered for life, that didn't include the cost of replacing a limb. But the exclusion that was added by the new insurer was for prosthetics. That's wider and affects things like hip replacements. Hip dysplasia is not uncommon and Miss V would have thought her dog was covered for costs relating to this.

Excluding any cover for prosthetics was a significant change in the level of cover Miss V thought she had, given her pets' hip dysplasia condition. It means that, contrary to what was told when she bought the policy, she now didn't have the promised continuous cover for conditions her dog developed whilst covered by the policy. I think that's unfair, given it was a lifetime policy for her pet.

It meant the promise made to Miss V when she took out her policy – that her dog was covered for life – was not kept. In addition, when the exclusion was added, she wasn't given clear information about this so wasn't aware of the change.

It wouldn't be fair for Miss V to be out of pocket because the promise made to her when she bought her policy has not been kept. Blue Insurance is not an insurer and would not be expected to provide insurance cover. But it promised Miss V her dog would be covered for life. If Miss V has lost out as a result of that promise not being kept, it's reasonable to expect Blue Insurance to compensate her for that.

It was very upsetting for Miss V to find she didn't have the lifetime cover that had been promised to her. And she had to find the funds to pay the shortfall in treatment costs. That was a considerable amount and caused her some difficulty. In the circumstances Blue Insurance should compensate her for the distress and inconvenience caused.

Replies to the provisional decision

Miss V has replied to say she accepts the provisional decision. Blue Insurance has also said it accepts and will look to pay Miss V's costs.

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.

Both Miss V and Blue Insurance have accepted the provisional decision and Blue Insurance says it will settle Miss V's costs.

There's no new evidence for me to consider and in the circumstances, no reason for me to change my provisional decision. So I'm upholding the complaint for the reasons set out above.

My final decision

I uphold the complaint and direct Cover-More Blue Insurance Services Ltd to pay Miss V:

- £3,093.72 together with interest on that sum from the date Miss V paid those costs to the date of payment at 8% a year simple*.
- £250 for distress and inconvenience.

* If Cover-More Blue Insurance Services Ltd considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss V how much it's taken off. It should also give Miss V 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 Miss V to accept or reject my decision before 19 August 2024.

Peter Whiteley
Ombudsman