

## **The complaint**

Mr W complains about the way that Zurich Insurance PLC administered his personal accident cash plan.

## **What happened**

The background to this complaint is well-known to both parties. So I've simply set out a summary of what I think are the main events.

Mr W held a personal accident cash plan, which was underwritten by Zurich. He paid for the policy by monthly direct debit.

In January 2021, Zurich let Mr W know there'd been an internal error with the collection of his May 2020 premium. It told Mr W that it had waived May 2020's premium and that his cover hadn't been affected.

Mr W complained to us about Zurich's error in late 2021 and about other administrative mistakes it made whilst dealing with his complaint. Zurich agreed to put premiums on hold while we looked into things.

As Mr W had concerns about Zurich's payment collection systems, he sent it postal orders for the value of his monthly premiums. Zurich ultimately told Mr W that it could only accept payment by direct debit but that as a gesture of goodwill, it would apply three postal order payments for the period December 2021 – February 2022. But it reiterated that he'd need to pay his monthly premiums by direct debit going forward or his policy would be cancelled.

In May 2022, our investigator issued their assessment of Mr W's complaint about the premium collection error and administrative error it had made.

Subsequently, Mr W continued to send Zurich postal orders for the value of his monthly premiums which weren't credited to his policy. In November 2022, a new direct debit was set-up. Zurich waived Mr W's premium for March 2022 and collected his backdated premiums for the period April to November 2022.

In May 2023, Zurich wrote to Mr W to let it know that it would no longer be covering the personal accident cash plan and that cover would be transferred to a new insurer with effect from July 2023.

Zurich refunded Mr W for the value of the postal orders he'd sent for the months which had been paid by the backdated direct debit. And it agreed to send him the postal orders back so he could cash them in at the Post Office.

Mr W remained unhappy with Zurich's administration of his policy. In brief, he considered Zurich should have accepted and applied the postal order payments he had made to his policy. And he was concerned there'd been a break in his cover between March and November 2022. He was unhappy too that he hadn't been asked to attend a meeting to discuss the transfer of the insurance business. He asked us to look both into his previous

concerns and into his new complaint.

Our investigator explained we couldn't look into the complaint points Mr W had raised with us and which had been dealt with in their May 2022 assessment.

The investigator didn't think Zurich had been obliged to accept postal orders for payment. She thought Zurich had made it sufficiently clear that while three postal orders had been applied to Mr W's policy as a gesture of goodwill, he would need to pay his premiums by direct debit from February 2022 onwards. She was satisfied that Mr W hadn't had a break in cover between March and November 2022 and that he'd been insured by Zurich during this period. And she felt that Zurich had treated Mr W fairly by both refunding the value of the postal orders it hadn't applied to his policy, along with sending him the actual postal orders to cash in. Overall, she didn't think Mr W's complaint should be upheld.

Mr W disagreed and so the complaint's been passed to me to decide.

### **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.

Having done so, whilst I'm very sorry to disappoint Mr W, I don't think Zurich has treated him unfairly and I'll explain why.

First, I'd like to reassure Mr W that while I've summarised the background to this complaint and his detailed submissions to us, I've carefully considered all he's said and sent us. In this decision though, I haven't commented on each point that he's raised and nor do our rules require me to. Instead, I've focused on what I think are the key issues.

I must also make clear the parameters of this decision. Mr W previously complained to us about Zurich's failure to collect his May 2020 premium and about administrative errors which followed. Those complaint points were considered by our investigator in May 2022. Therefore, I won't be commenting on them again in this decision. This decision will focus on whether I think Zurich was obliged to accept premium payment by postal order and whether I consider there was a break in Mr W's cover.

The relevant regulator's principles say that financial businesses must pay due regard to the interests of their customers and treat them fairly. I've taken those principles into account, amongst other relevant rules and considerations, when deciding whether I think Zurich treated Mr W fairly.

It's clear that following the direct debit collection error, Mr W was concerned about Zurich's administration of his policy. Therefore, to ensure his cover remained in place, he sent postal orders for the price of the monthly premiums. However, I think Zurich made it sufficiently clear to Mr W that it could only accept payment for this policy by monthly direct debit payment. In my view, this was a commercial decision for Zurich to make and it seems it applied to all of its accident cash plan customers. As the investigator explained, we're not the industry regulator and so we can't generally tell a financial business how to operate its business.

Nonetheless, in November 2021, as a gesture of goodwill, Zurich agreed to apply postal orders to Mr W's policy to cover the premiums for December 2021 and January 2022. It went on, in December 2021, to apply a third postal order to cover Mr W's February 2022 premium. But I don't think there was any obligation for it to do so and nor do I think it was required to continue to accept payment by that method. And in my view, the letters Zurich sent Mr W on

19 November, 26 November and 21 December 2021 made it very clear both that it couldn't continue to accept payment by postal order and that Mr W would need to have an active direct debit mandate in place. It reiterated this position in January 2022.

Whilst Mr W continued to send postal orders for each monthly premium, Zurich simply held these without applying them to the policy, albeit it waived the premium for March 2022. Given it's clearly stated position, I don't think this was unreasonable. Once Mr W authorised further direct debit collection in November 2022, Zurich was able to collect the premiums which would have been due between April and November 2022. This meant cover under the policy continued unbroken and Zurich remained 'on-risk' for claims Mr W may have made during that time. In any event, Mr W didn't need to make a claim during this period.

I appreciate correspondence Zurich sent Mr W at times indicated that if he didn't make payment by direct debit, his contract would be cancelled. So I can understand why he's concerned that he might not have been covered between March and November 2022. But Zurich has provided us with a list of all the premium payments which were credited to Mr W's policy (including the waived March 2022 premium). And I can see that each premium is marked as having been paid—albeit by backdated direct debit collection between April and November 2022. I'm satisfied then that Zurich was covering Mr W for the risk of a personal accident for the full period until it stopped insuring the policy in July 2023. As such, it wouldn't be fair or reasonable for me to require Zurich to pay him any refund of premium for this time.

Turning to the unpaid postal orders which Zurich 'held', I'm satisfied that it's refunded Mr W the total value of these orders to ensure that he wasn't effectively charged twice for the cover. It seems Zurich has also returned the postal orders to Mr W to allow him to cash them in at the Post Office, despite its refund of their cost. I think this means then that Mr W is in a better financial position than he'd have been had Zurich applied the orders to the policy as payment. I'd add that once Zurich stopped providing cover for the policy, I don't think it would have been appropriate for it to continue to 'hold' the postal orders and nor do I think it could reasonably accepted them as payment of premium on behalf of the new insurer.

I'm aware how strongly Mr W feels about the way Zurich administered his policy and I can see that it made minor errors in some of its communications with him. I don't doubt this caused Mr W some frustration. And I appreciate he's unhappy he wasn't given a chance to attend the meeting to discuss the transfer of the cover. But in my view, Zurich hasn't made any errors in this case which I think have caused Mr W to suffer material distress or inconvenience for which I could fairly make an award of compensation.

So overall, whilst I know how disappointing Mr W will find my conclusions, I don't think Zurich has done anything wrong which it needs to put right.

### **My final decision**

For the reasons I've given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 6 September 2024.

Lisa Barham  
**Ombudsman**