

The complaint

Mr S has a level term life and serious illness insurance policy ('the policy'). Mr S is unhappy with Vitality Corporate Services Limited because due to the monthly premium he pays, he's unable to access certain rewards associated with the policy (including a discount for a named supermarket).

What happened

Mr S has held the policy for many years, and he added the 'Vitality Plus with Optimiser' in early 2024. This resulted in his monthly premiums reducing to below £45 each month for the life and serious illness cover. He also had to pay a fee of just under £5 every month for Vitality Plus.

To access a reward for a named supermarket discount, Mr S had to be paying a premium of £45 each month for the life and serious illness cover. Deducting the fee paid for Vitality Plus, Mr S's premium was 7p less than this.

Unhappy that he couldn't access all the rewards, Mr S complained to Vitality. It maintained that it couldn't increase his monthly premium (or waive the £45 per month premium threshold) so that he could access the named supermarket discount as part of the reward programme after Vitality Plus with Optimiser was added to the policy. So, it didn't uphold his complaint.

Mr S then brought a complaint to the Financial Ombudsman Service and Vitality did then offer to pay Mr S £100 compensation to reflect the impact of being given incorrect information when adding Vitality Plus with Optimiser to the policy. It accepts that he was told that he would be able to access the discount for the named supermarket but based on the premium he'd be paying for that year, that wasn't right.

Our investigator didn't think Vitality had to do anything more to put things right. Mr S requested an ombudsman's decision. So, this complaint has been passed to me to consider everything afresh 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.

That includes the Consumer Duty which Mr S has referred to. I've taken this into account as it's a relevant consideration in this case. And I've carefully considered the three cross-cutting rules Mr S has referenced.

It isn't disputed that some of the rewards associated with the Vitality Plus with Optimiser require the monthly premium to be at a particular threshold (£45).

I've thought very carefully about whether Vitality should allow Mr S to access the rewards he'd be able to access if his premium was 7p more each month – including the named supermarket discount.

I know Mr S will be very disappointed but for the reasons set out below, I'm not persuaded that it would be fair and reasonable for me to direct Vitality to do this.

- To access certain rewards – including the named supermarket discount – the policy has to be optimised and a Vitality Plus fee paid. Vitality has taken the commercial decision to set the monthly premium threshold to be able to access certain rewards at £45 each month (not including the Vitality Plus fee). I'm satisfied that's a commercial decision for it to make and is not unfair and unreasonable in principle.
- I've considered whether that leads to a fair and reasonable outcome in the circumstances of this case, and I'm satisfied that it does.
- I don't think Vitality has acted unfairly by not agreeing to increase the premium by 7p per month so that Mr S can access certain rewards. The premium he's been paying for the policy since early 2024 is the actual cost of the life and serious illness cover taking into account the upfront deduction received for adding the optimiser in 2024.
- Vitality has also said that it's unable to increase the life and serious illness benefit under the policy, which will in turn increase the monthly premium. The policy terms do say the policyholder can apply to increase the benefit amount (with an appropriate increase in premium) but this is subject to other factors. However, Vitality has said that a commercial decision was taken in 2023, that for policies written before a certain date and which previously had the offer to request an increase to cover, this was no longer available. It's provided evidence of this change which I'm persuaded impacts Mr S's policy because of the date it started. And I don't think Vitality has acted unfairly by not agreeing to increase the life and serious illness benefit.

Vitality accepts that it provided incorrect information to Mr S around the time of adding Vitality Plus with Optimiser. He was told that he was eligible for the named supermarket discount and subsequently told that he could increase the premium but that wasn't right either.

To be given incorrect information would've been frustrating, upsetting and confusing for Mr S. It's also put Mr S to the trouble of having to clarify the true position. I think £100 compensation fairly and reasonably reflects the impact on him in this case.

I've also considered that prior to adding Vitality Plus with Optimiser to the policy, he was able to access less rewards than the rewards he can receive under Vitality Plus (even taking into account the rewards which require him to be paying at least £45 per month in policy premiums). With the policy he currently has, he can access (for example) reduced gym membership – which I understand he takes advantage of – free coffees at a named coffee shop chain and cinema rewards.

Further, before adding Vitality Plus with Optimiser he wouldn't have been able to access the named supermarket discount so that's a reward he would never have been eligible for even though his premium was more than £45 per month then.

By adding Vitality Plus with Optimiser, I'm also satisfied that Mr S's premiums reduced slightly each month so even taking into account the monthly fee for Vitality Plus, he's paying less each month and has access to more rewards.

Therefore, I don't think Mr S has lost out financially by adding Vitality Plus with Optimiser to the policy. Further at the time, Mr S was keen to get the gym membership for the gym he was a member at. For this to happen, he needed to add Vitality Plus with Optimiser. So,

even if he hadn't been given incorrect information at the time about being able to access the named supermarket discount, I'm satisfied on the balance of probabilities that he would've still acted in the way he did.

Vitality says that Mr S has currently reached "platinum" Vitality status due to keeping fit and taking care of his health. From what I've seen, when a policyholder reaches platinum status during the policy year, there's a 0% increase in premium for the following year. However, it's possible that Mr S will not reach platinum status in future policy years and if he doesn't, the premium will increase by between 0.5% and 2.5% depending on whether he remains at bronze status or reaches silver or gold (rather than platinum). Even if his premium increases by 0.5% he is likely to have access to other rewards including the named supermarket discount.

I appreciate for this to happen, Mr S would have to exercise less or live a little less healthy (or stop tracking some physical activities). However, I do think it's fair for Vitality to have a minimum premium threshold to be paid each month to access some of the rewards it offers. And that threshold has to be set at a particular amount. It's unfortunate for Mr S that the premium he pays is slightly less than that. From his perspective, I can see why he thinks that's unfair. However, for the reasons set out above, I don't think Vitality has acted unfairly or unreasonably in this case.

Vitality has said that if Mr S would like the policy to revert back to how it was before Vitality Plus with Optimiser was added, it can arrange this. It would also refund any Vitality Plus fees paid by Mr S. However, this is likely to increase the monthly premium going forwards and Mr S wouldn't have access to the rewards he currently does (and potentially will in future policy years if the monthly premium does increase due to his Vitality status). If this is something Mr S is interested in exploring further, he's free to contact Vitality to discuss.

Putting things right

I direct Vitality to pay Mr S £100 compensation for distress and inconvenience.

My final decision

I uphold this complaint to the extent set out above and direct Vitality Corporate Services Limited to put things right as set out above. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 9 January 2025.

David Curtis-Johnson
Ombudsman