

The complaint

Mr A complains about how ActiveQuote Limited handled his application for an income protection policy.

What happened

Mr A took out an income protection policy through ActiveQuote in December 2022. Mr A made a separate complaint against the insurer with regards to a claim he made under the policy, and this was considered by one of our ombudsmen. For clarity, I can only consider and make a finding on the actions of ActiveQuote under this complaint. Any reference to the insurer is to simply to set the background to the complaint.

Mr A completed an application for an income protection policy over the phone with ActiveQuote's advisor on 21 December 2022. The advisor asked questions relating to Mr A's health and lifestyle, and he sent the application to the insurer for approval. Another advisor called Mr A the next day to ask some follow up questions based on his application. The advisor said she'd pass these to the insurer and hopefully get a decision by the end of the day.

The insurer accepted Mr A's application with a back exclusion on 22 December 2022. Mr A had accepted the exclusion during the application process. Unfortunately, ActiveQuote didn't confirm to the insurer that Mr A was happy to accept it until 13 January 2023, which is what the insurer recorded as the start date of the policy. However, ActiveQuote incorrectly sent Mr A an email on 23 December 2022 to say the policy was now live, and no further action was required from him.

Mr A first sought help for a new medical issue on 9 January 2023, and he made an income protection claim relating to this issue in December 2023. The insurer first declined Mr A's claim because it said Mr A should have declared this medical issue when he applied for the policy, as it pre-dated the policy start date (13 January 2023). However, the insurer later accepted Mr A had thought the policy had already started on 23 December 2022 based on the confirmation from ActiveQuote. But the insurer said there were several other medical issues Mr A hadn't declared when he took out the policy. Had he done so, it wouldn't have offered him the policy at the time. So, the insurer declined the claim and voided the policy.

Mr A is unhappy that ActiveQuote delayed the start of the policy, and that it didn't send him a copy of the application form for him to check to make sure his answers were correct. Had it done so, Mr A says he could have made a correct declaration for the policy. He says the insurer could then have accepted the policy with the relevant exclusions for the other medical issues. Alternatively, Mr A says that if the insurer had declined to offer him a policy at all, he would have arranged a policy with another insurer instead. Mr A wants ActiveQuote to meet the costs of his declined income protection claim, and all resulting costs from it.

One of our investigators looked into what had happened. In summary, she thought ActiveQuote had made a mistake in delaying the start date of the policy, and by not sending Mr A the application form for him to check his answers. But overall, she didn't think this would have made a difference in Mr A's claim. This was because had Mr A answered all the questions correctly, the insurer wouldn't have offered him the policy when it did. She also thought it was unlikely Mr A would have been able to get another policy with another insurer in time to cover the new medical issue that he first sought help for on 9 January 2023.

However, our investigator didn't think ActiveQuote's offer to pay Mr A £100 for the distress and inconvenience it caused due to its administrative errors was enough – she thought £300 was fair and reasonable.

Mr A didn't agree with our investigator's findings and ActiveQuote didn't respond. As no agreement was reached, the complaint has 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.

Firstly, my role is to address the points that I consider to be material to the outcome of a complaint. I've considered everything both parties have provided. Our investigator addressed Mr A's concerns in detail, however, I will only focus on what I consider to be the crux. So, my findings are significantly more succinct than those of the investigator. This isn't intended as a discourtesy. It simply reflects the informal nature of our service.

ActiveQuote has accepted it made a mistake when it didn't let the insurer know Mr A had accepted the policy terms, and that the policy start date was delayed until 13 January 2023. So, I don't need to make any further finding on this. However, I don't think this had a material impact on Mr A because the insurer accepted Mr A reasonably thought his policy start date was 23 December 2022, and it considered his claim on this basis. But I do think this administrative error caused Mr A unnecessary distress and inconvenience when he had to clarify the situation to the insurer.

Additionally, I agree with the investigator that ActiveQuote should have sent Mr A a copy of the application summary once it received this from the insurer so he could check the information he gave was correct. ActiveQuote says insurers usually send this information directly to customers. However, ActiveQuote was acting as Mr A's representative and so the insurer sent the document to ActiveQuote on Mr A's behalf. So, I think it would have been fair and reasonable for ActiveQuote to forward this to Mr A in the circumstances. I've considered if its failure to do so had a material impact on Mr A.

Where a business makes a mistake, our aim is to put the consumer back into the position they would have been in, had there been no mistake (as far as possible).

All parties have addressed a number of medical issues that Mr A had had, and whether or not these should have been declared to the insurer. However, I think what's key here are the conclusions reached by the other ombudsman on Mr A's skin lesions on his complaint against the insurer.

Mr A saw his GP in February 2023 because of a 3-4 month history of skin lesions on his face. These hadn't been investigated before that point. In September 2023, however, these were confirmed to be benign.

The relevant question on the application form was:

“Apart from anything your client has already told us about in this application, do they have any medical condition or symptom that:

[...]

Are they experiencing any symptoms or complaints for which they have not yet consulted any kind of doctor, nurse or specialist?”

I'm satisfied ActiveQuote's advisor asked the above question clearly during the application process. The other ombudsman said in her final decision that it was reasonable for the insurer to conclude the answer to this question should have been 'yes'. The ombudsman was also satisfied that the application process would have been postponed until the investigation into the skin lesions was complete.

So, had ActiveQuote sent Mr A the application summary, he should have changed his answer to the above question from 'no' to 'yes'. This would have meant the insurer would have postponed the policy until the investigation into the skin lesions was complete. I think it's unlikely this would have happened before 9 January 2023 – which is when the new medical issue Mr A has made a claim for, and is the crux of this complaint, started. That means that I think that, even if ActiveQuote had done everything right, it's unlikely Mr A would have been able to continue with his application for this policy before 9 January 2023, and therefore have cover for the condition his claim relates to.

Mr A has said that in this situation, he would have sought another policy with another provider instead – one that would allow more exclusions than this policy. However, I think it's unlikely a prudent insurer would accept an application for an income protection policy when the applicant is experiencing symptoms or complaints for which they have not yet consulted a medical professional. I think it's more likely than not that other insurers would have postponed the application until the investigation into the skin lesions was complete – the same as this insurer says it would have done.

That means that I think it's more likely than not that even if ActiveQuote had sent Mr A a copy of the application summary and he had amended the answers he'd previously given, Mr A would have been left in the same position he's in now – without cover for the new medical issue that started on 9 January 2023, with any insurer. So, I don't think ActiveQuote's mistakes led to his claim for this medical issue being declined. That means that I can't hold ActiveQuote responsible for the financial loss Mr A has unfortunately suffered due to being without income protection cover, or the distress and inconvenience caused because of it.

However, it's clear that ActiveQuote's mistakes caused Mr A unnecessary distress and inconvenience. Firstly, he had to clarify the situation with the policy start date with his insurer. And I think the mistakes led to uncertainty whether his claim was covered or not, or if he could have sought other cover instead. This would have added to the worry Mr A was experiencing during an already difficult time.

ActiveQuote offered Mr A £100 for the distress and inconvenience caused, but our investigator thought £300 was fair and reasonable. Having thought about the mistakes made by ActiveQuote, and the direct impact of those mistakes, I think £300 is fair and reasonable.

My final decision

My final decision is that I uphold Mr A's complaint in part. I direct ActiveQuote Limited to pay Mr A a total of £300 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 28 October 2024.

Renja Anderson
Ombudsman