

The complaint

Mr J complains that Pinnacle Insurance Plc hasn't paid interest on premiums it refunded to him for an income protection insurance policy for the full period he thinks it should be due.

What happened

Mr J held an income protection insurance policy for a number of years, which was previously underwritten by an insurer I'll call A. Pinnacle became responsible for underwriting the policy in 2001.

Subsequently, in May 2002, Mr J made an unemployment claim on the policy after he'd become unemployed in 2000. As A had been the policy underwriter at the point Mr J had become unemployed, it dealt with the claim and I understand it paid benefit in line with the policy terms.

In 2006, Mr J got in touch with Pinnacle to let it know that he hadn't returned to work following the unemployment claim. So he said he'd hadn't been eligible for the policy after 2001. Pinnacle cancelled the policy. And it wrote to Mr J to ask him to provide it with evidence that he was no longer working so that it could arrange a refund of his premiums.

Mr J got back in touch with Pinnacle in late 2020. In early 2021, Pinnacle received proof that Mr J hadn't worked since 2001. So it refunded Mr J's premiums from the date it had taken over as policy underwriter until the date it cancelled the policy.

Unhappy with Pinnacle's position, Mr J complained. He considered that Pinnacle should add interest to the premium refund amount.

As a gesture of goodwill, Pinnacle agreed to pay interest of 8% on each premium Mr J had paid from the point it began underwriting the policy until May 2006 – when it had first written to Mr J to ask for evidence that he was no longer working. Mr J didn't think this was fair or reasonable and he felt that Pinnacle should pay interest up until the date the premiums had been refunded in 2021.

But as Pinnacle maintained its position, Mr J asked us to look into his complaint.

Our investigator didn't think Pinnacle had treated Mr J unfairly. While he sympathised with Mr J's position, he didn't think it had been unreasonable for Pinnacle to ask for proof that Mr J wasn't working before it refunded his premiums. And nor did he think Pinnacle had acted unreasonably by holding on to Mr J's premiums between 2001 and 2006 until it received that proof. So he considered that Pinnacle had already paid a fair award of interest which went over and above what he'd have expected it to do.

Mr J 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 sorry to disappoint Mr J, I don't think Pinnacle has treated him unfairly and I'll explain why.

First, I'd like to reassure Mr J that while I've summarised the background to his complaint and his detailed submissions to us, I've carefully considered all he's said and sent us. I understand Mr J suffers with cognitive difficulties and with his mental health and I was sorry to hear about how these conditions have affected him.

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, together with other relevant considerations, when deciding whether I think Pinnacle treated Mr J fairly.

It's clear that in May 2006, Mr J let Pinnacle know that he hadn't been working since 2001. Under the terms of the policy, this meant that Mr J wouldn't have been eligible to make another claim. So I think it was appropriate for Pinnacle to cancel the policy at this point and to stop the collection of premiums. And I also think it was reasonable and appropriate for Pinnacle to agree to refund the premiums Mr J had paid for the period it hadn't effectively been 'on risk'.

But I don't think it was unreasonable for Pinnacle to ask for evidence that Mr J hadn't been working since 2001 before it went ahead and refunded those premiums. I don't think I could reasonably say that it should simply have accepted Mr J's word on this point. I've seen a copy of a letter it sent Mr J on 17 May 2006 which was addressed to Mr J's home address at the time. This letter explained that if Mr J provided evidence that he hadn't been working since 2001, Pinnacle would look into refunding the premiums he'd paid. I think its request was clearly set out.

Mr J didn't get back in touch with Pinnacle until late September 2020. I do understand that he is classed as a vulnerable customer and I can see that he explained to Pinnacle how his health can cause him difficulties in dealing with financial matters and administrative tasks. I've carefully borne this in mind. However, I still think it was reasonable for Pinnacle to need evidence to show Mr J hadn't returned to work after 2001 before it refunded the premiums. It seems this evidence was obtained in early 2021 and, at that point, Pinnacle refunded Mr J's premiums from 2001 up until the date the policy had been cancelled. This is in line with what I'd have expected Pinnacle to do.

Initially, Pinnacle didn't pay interest on any of the refund amount. I've thought about this. As I've explained, I don't think it was unreasonable for Pinnacle not to refund the premiums until it had proof that Mr J hadn't been working. So I don't think it had made any error by not refunding the premiums earlier than it did. This means I don't find it was unreasonable for Pinnacle to have held on to the premiums until it received that proof.

But Pinnacle took into account Mr J's vulnerabilities and his particular circumstances. I think this was an appropriate response from Pinnacle. And it agreed to pay interest of 8% on each premium he paid between 2001 and May 2006. In my view, this was a very fair and reasonable step for Pinnacle to take.

However, that doesn't mean that Pinnacle needed to pay interest on the premium refund up until 2021. While it considered Mr J's particular situation, I also don't think it was unreasonable for Pinnacle to take into account that it took over 14 years for Mr J to get back in touch with it and query whether a refund was due. I don't think it was in a position to have refunded the premiums until it obtained the evidence that Mr J hadn't been working. So as

I've said, I don't think it unreasonably retained his money. In these circumstances - given the time that passed between Pinnacle's original request and the provision of the necessary evidence - I don't find it would be fair for me to direct it to pay interest up until 2021 when I'm not satisfied that it made any error or acted unfairly.

I'm sorry to disappoint Mr J because I appreciate how strongly he feels about this matter. But based on all I've seen; I don't think Pinnacle sought to unfairly retain his premiums or that it sought to act outside of his best interests. I say that because in addition to paying Mr J interest I don't think it was obliged to pay, Pinnacle also significantly extended the time Mr J had to bring a complaint to us after it issued its final response to his complaint. Overall, I find that Pinnacle has already treated Mr J fairly and I'm not directing it to pay him anything more.

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 J to accept or reject my decision before 5 November 2024.

Lisa Barham
Ombudsman