DRN-5021533

The complaint

Mr M is unhappy that Vitality Health Limited (Vitality) declined his private medical insurance claim.

What happened

Mr M had a private medical insurance policy which was underwritten by Vitality. The policy start date was 9 July 2022 and ended on 8 July 2023. It was cancelled in July 2023.

Mr M first submitted his referral for a claim for surgery costs in February 2023. Delays were caused in processing and assessing the claim, so Mr M made a complaint to Vitality. The complaint was brought to our service, and it was upheld in a final decision in March 2024. The ombudsman said Vitality had caused delays and awarded Mr M £250 compensation. The ombudsman directed Vitality to assess the claim within 28 days of the acceptance of the final decision.

Vitality assessed Mr M's claim. It paid all the eligible costs except for the cost of the surgery which took place in October 2023, after the policy was cancelled in July 2023. Unhappy, Mr M made a second complaint to Vitality. It issued a final response and said the policy had been cancelled in July 2023 and any further costs after this date would not be covered under the policy year 2022-2023. And as the policy wasn't renewed, Mr M wasn't eligible for cover.

Mr M brought his complaint to this service. Our investigator upheld the complaint. She thought, under the terms and conditions of the policy, Vitality was entitled to decline cover for the cost of the surgery. But on a fair and reasonable basis, delays were caused in assessing the claim. Mr M was also waiting for the outcome of his previous complaint and assumed his claim would have been covered. The investigator recommended that Vitality pays the claim and add 8% simple interest per annum.

Vitality didn't agree with the investigator's findings and asked for the complaint to be referred to an ombudsman. So, it's been passed to me.

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.

The relevant rules and industry guidelines say that insurers must handle claims fairly and shouldn't unreasonably reject a claim. I've taken these rules into account when deciding what I think is fair and reasonable in the circumstances of Mr M's complaint.

I've considered the terms and conditions of Mr M's policy. On page 29 of the policy document, there's an exclusion for costs of treatment that take place after the policy has been cancelled.

I've also considered that Vitality sent Mr M a letter in September 2023 informing him that the policy was cancelled in July 2023. It wasn't renewed and Vitality informed Mr M that any invoices for treatment after July 2023 wouldn't be covered under the policy.

Based on the above, strictly speaking, the cost of Mr M's surgery wouldn't be covered under the terms and conditions of the policy.

This service however has the remit that permits me to consider what's fair and reasonable in the individual circumstances of this complaint. So, I've gone on to think about what happened here.

Mr M initially submitted authorisation for a claim in February 2023. Due to significant delays caused in processing the claim assessment, Mr M brought his complaint to this service, which was upheld, and a final decision was issued in March 2024 where Vitality was directed to assess the claim within 28 days of the decision acceptance. In the meantime, Mr M had his surgery in October 2023. He's explained that he'd assumed the cost of his surgery would be covered due to the delays Vitality had caused. The policy wasn't renewed because Mr M was unhappy with the service he'd received from Vitality. Mr M explained due to his work commitments, he had the surgery in October 2023. He's a plumbing and heating engineer and his busiest period is over the summer. He had to factor in a recovery period of five to six weeks and October 2023 was a suitable time for him to have the surgery and for it not to impact his commitments. He also explained the NHS waiting times were long so he had to have the surgery as he couldn't carry out the manual work that his work required and was restricted to clerical work.

In April 2024, Vitality had accepted Mr M's claim but as the surgery took place following the cancellation of the policy, it no longer covered this. Vitality paid the invoices that related to when the policy was in force. In all, it took from February 2023 to April 2024 for the claim to be accepted so I don't think it's unreasonable for the claim for Mr M's surgery to be paid. I think the delays in assessing the claim have had a knock-on effect to the claim being eventually accepted by Vitality. I appreciate by the time the claim was accepted that the policy had been cancelled. But I don't think it was unreasonable for Mr M to have assumed that it would have been covered as it related to the original referral that he made in February 2023. And I think it's clear the delays caused from assessing the claim initially and having to make a complaint and bringing it to this service has had an impact on Mr M. I don't think Vitality has taken this into account when it declined Mr M's claim for the surgery cost.

I understand Vitality's position that strictly speaking there is no cover under the terms and conditions of Mr M's policy. However, I'm not satisfied that Vitality has considered that the delays caused in assessing the claim has impacted Mr M and the timing of his surgery. I think Mr M's explanation is plausible that he assumed he would be covered for the surgery and the reasons he's given for having this in October 2023. Mr M has also given reasons for why he didn't renew the policy and these also don't seem unreasonable. And from the information available, it seems Vitality would have covered the claim but for the delays caused and the resulting surgery happening later. I do appreciate that delays can happen while validating a claim, but these delays were significant and it's clear they had an impact on Mr M. In the individual circumstances here, I think the claim for surgery costs should be settled by Vitality.

Overall, I don't think Mr M's claim has been declined fairly or reasonably in the circumstances of this complaint. I think therefore Vitality should settle Mr M's claim in line with the remaining terms and conditions of the policy and add 8% simple interest.

Putting things right

I require Vitality Health Limited to put things right by:

- *Settling Mr M's claim for surgery costs in line with the remaining policy terms and conditions. If Mr M has already paid for the cost of the surgery, Vitality will need to reimburse him directly.

- Adding 8% simple interest per annum from the date Mr M paid the invoice to the date of settlement.

- It must do this within 28 days of the date on which we tell it Mr M accepts my final decision. If it takes longer, Vitality must give Mr M a meaningful update setting out the timeframe when it will settle the claim.

*If Vitality Health Limited considers it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr M how much it's taken off. It should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons given above, I uphold Mr M's complaint about Vitality Health Limited and I require Vitality to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 March 2025.

Nimisha Radia
Ombudsman