

The complaint

Mr T has complained that Legal and General Assurance Society Limited ('L&G') paused his benefits, when it reviewed his claim, as a result of an overpayment.

What happened

Mr T has an income protection insurance policy, underwritten by L&G.

L&G reviewed the claim and told Mr T that it had overpaid his benefit by around £30,000 as a result of dividends he had received and which should have been included in its benefit calculations.

Mr T complained and said L&G had been negligent. He was unhappy that it was asking for overpayment of such a large sum after years of incorrectly paying benefit. L&G apologised and offered Mr T £300 compensation for service errors.

Unhappy with L&G's response, Mr T referred his complaint to the Financial Ombudsman Service.

Our investigator looked into the complaint and found that L&G's offer to resolve the complaint was reasonable.

Mr T disagreed and so the case has been passed to me for a decision.

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, I don't think this complaint should be upheld. I'll explain why.

The background to this matter is well known to both parties so I won't repeat it here. Instead, I will summarise and focus on what I consider to be key to my conclusions.

The relevant rules and industry guidelines say an insurer should handle claims promptly and fairly. Mr T brought a previous complaint to the Financial Ombudsman Service and a different Ombudsman made a decision directing L&G to reinstate Mr T's claim.

After doing this, L&G requested up to date evidence and reviewed the claim. It realised it had overpaid benefit to Mr T. Initially it gave Mr T a lower figure but it corrected this and confirmed he owed around £30,000.

The policy terms say:

"We will limit your monthly benefit payment as follows...the total monthly benefit Limit includes the following sources of continuing income...60% of any gross income from a business including dividends..."

As Mr T received dividends each year, L&G should have taken this income into account. This would have reduced the amount of benefit payable. This means L&G overpaid Mr T for a number of years.

It isn't clear why L&G didn't ask for information relating to dividends after Mr T provided a copy in 2020. However, he did say that the dividends were received prior to his claim. There is no evidence that he told L&G about any further dividends.

In its final response letter, L&G said it wasn't made aware of Mr T's regular dividends which led to an overpayment. So it told him what his options were: He could repay the overpayment in instalments, as a lump sum, or as a proportion deducted from his monthly benefit. L&G accepted it could have handled things better as Mr T had asked for a breakdown of how the overpayment had been calculated but this wasn't provided. It then stopped benefit payments without telling Mr T. So it offered £300 compensation as an apology.

As a starting point, I would expect L&G to calculate the correct benefit amount and let Mr T know about this. I've seen that he now has the calculations. Once L&G had calculated the correct amount and amount of overpayment, I would expect L&G to offer Mr T repayment options and I have seen that it has also done this.

I note Mr T says L&G has been negligent by overpaying his benefit amount. He wants the overpayment waived and his benefit reinstated. But I don't think L&G is responsible for the error as it did ask Mr T to let it know if his income changed in an email dated December 2020. I haven't seen any evidence that Mr T provided information about his dividends after 2020. I also don't think it was unreasonable for L&G to stop paying the benefit although it accepts it should have told Mr T before doing so. In the absence of any agreement from Mr T to repay the overpayment, I think it was sensible to stop benefit to reduce the overpayment.

L&G offered £300 compensation for failing to provide Mr T the calculation breakdown when he asked for it and for not telling him it would stop paying benefit to reduce the overpayment owed. I think this is reasonable as although the mistake has meant Mr T owes a large sum of money to L&G, it has offered to discuss and agree a repayment plan. I don't think that the overpayment should be waived as it was paid in error and Mr T received more than he should have done. Mr T will need to get in touch with L&G directly to consider his options going forward.

Whilst I'm sorry to disappoint Mr T and have fully considered everything he has said about the impact of L&G's error, overall, I think L&G has done enough to put things right. So I won't be directing it to do anything more.

My final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 3 February 2025.

Shamaila Hussain
Ombudsman