

The complaint

Mr H is unhappy with the sale of his income protection policy by Lifesearch Partners Limited (LPL).

What happened

Mr H was sold a group of insurance policies through LPL in 2021. After assessing his financial circumstances and needs, LPL recommended an insurance plan which included life cover and a family income benefit for him and his wife. It also included income protection cover for Mr H.

Mr H's application was sent to the underwriter of the policy. As Mr H disclosed he'd previously suffered from stress, the underwriter applied the following exclusion to his income protection policy:

"We will not pay a claim if it is due to, or arises from depression, anxiety, other mental disorder or chronic fatigue syndrome, fibromyalgia, myalgia encephalomyelitis (ME) and post-viral fatigue."

You can ask us to review this exclusion 2 years after your policy start date. If at that time you've suffered no further symptoms and required, no further treatment then we can remove this exclusion."

Mr H also disclosed his mum had been diagnosed with bowel cancer, so the underwriter applied a further exclusion to his income protection policy:

"We will not pay a claim if it is due to or arises from colorectal cancer including carcinoma in situ or any treatment or complication".

Mr H asked LPL to go back to the underwriter to challenge the exclusions. He provided further information to LPL to support his view that application of the exclusions was unnecessary.

The underwriter agreed to remove the exclusion relating to colorectal cancer after LPL explained Mr M's colonoscopy was prior to his mum's diagnosis.

LPL let Mr H know the "family history exclusion" had been removed from his policy. And the exclusion for stress remained and could be reviewed in two years. Mr H agreed he was happy to go ahead with the policy on that basis.

In September 2023 sadly Mr H's daughter became unwell with an illness she'd have previously and he was unable to work. He submitted a claim on his income protection policy which was declined by the insurer due to the exclusion on his policy for stress and anxiety.

Unhappy his income protection policy hadn't paid out, Mr H raised a complaint. He said he thought he had cover for his daughter's health and that his family's previous health conditions had been disregarded. He also said he wasn't aware of the six month deferred period or the 24 month maximum benefit limit.

Our investigator looked into what had happened and he didn't think Mr H had been treated unfairly when the policy was sold.

Mr H disagreed. In summary he said:

- LPL has acknowledged there was ambiguity and a lack of clarity in their communication about the family history exclusion, so the case should be found in his favour.
- LPL weren't clear that his children wouldn't be covered.
- He was led to believe he had parent- child cover which is £25,000 worth of cover.

The case has now been passed to me to make 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.

The relevant rules and industry guidelines say that those selling insurance on an advised basis are required to take reasonable care to ensure the suitability of their advice. And they are required to provide clear, fair and not misleading information about the policy. This includes drawing a policyholder's attention to the significant exclusions and limitation of the policy.

This was an advised sale, so I've listened to all the relevant sales calls to identify if LPL provided suitable advice to Mr H. I can see they obtained information from Mr H and discussed his requirements for cover before providing a policy quotation.

Mr H explained he wanted the following types of cover:

- Life cover for Mr and Mrs H – this is a policy that will pay a lump sum in the event of Mr or Mrs H's death.
- Family income benefit for Mr and Mrs H – this is a policy that will pay a monthly benefit in the event of Mr or Mrs H's death.
- Income protection in Mr H's sole name – this is a policy that will pay a monthly benefit if Mr H is unable to work due to illness.

LPL explained the options available for different durations of cover and level of benefits. The advisor discussed the aspects of the income protection policy in more detail and the advisor checked Mr H's sick pay duration from his employer. They agreed a six month deferred period would be most suitable so cover would begin as soon as his sick pay entitlement ended.

Mr H also said if he became unwell and unable to work he'd be happy to receive two years' worth of salary under the income protection policy instead of taking out critical illness. So I'm satisfied Mr H was aware of the six month deferred period and the 24 month maximum benefit. And the policy was suitable to his needs.

Exclusion for colorectal cancer applied to income protection and removed.

The application was returned to LPL from the underwriter with the two exclusions applied. Mr H said he was unhappy he was being offered less cover for the same price. The colorectal cancer exclusion and its specific wording was discussed with Mr H, so I think LPL did enough to bring the exclusion to his attention.

Mr H then provided LPL with additional information and dates about his mother's medical history and when his colonoscopy had taken place. LPL immediately agreed to speak with the insurer to challenge the exclusions on his behalf which I think this was reasonable in the circumstances.

Mr H said again that if the exclusions were to remain on his policy, then he wanted to pay less because he was getting less cover. So I'm not persuaded the exclusions and restrictions on cover made the policy unsuitable for Mr H. He was happy to still go ahead with the policy, he just wanted the cover at a cheaper price.

Although it took LPL a few days to contact the underwriter to challenge the exclusions, I still think they did so in a timely manner and I they successfully managed to get the exclusion for colorectal cancer removed which I think was fair.

I'm mindful that Mr H understood the exclusion enough to provide LPL with specific information that enabled them to have it removed. So I'm satisfied he was aware of the nature of the exclusion and that it specifically related to colorectal cancer.

LPL has acknowledged that their communication could have been clearer, but this is only in relation to when they informed him the colorectal cancer exclusion had been removed for family health.

I agree that LPL should have been more specific during their call with Mr H to explain it was the colorectal cancer exclusion that had been removed rather than referring to it as the "family history exclusion".

I can understand why LPL referred to this type of exclusion as the family health exclusion. During the application call the advisor said the family history health check he took Mr H through was only in relation to Mr H's birth parents and siblings. There was no discussion about the health of Mr H's children. So I'm not persuaded it was reasonable for Mr H to link the removal of the exclusion to his daughter's health.

Mr H was aware this exclusion was only applied in the first place due to his mother's previous diagnosis of bowel cancer. And as explained above, I'm persuaded he was aware of the nature of the exclusion in question, so I think he should have reasonably understood the extent of the exclusion LPL had removed. So on that basis, I don't think Mr H's misunderstanding about the removal of the exclusion is something I can reasonably hold LPL responsible for.

I'm also mindful that LPL did try and speak to Mr H over the phone to discuss the removal of the exclusion in more detail. They called him three times on the 19th April to update him that the exclusion had been removed, alongside a text and the email that said the family health exclusion had been removed.

LPL called again the following day and Mr H acknowledged he was aware that this exclusion has been removed after the challenge. He confirmed he was happy to proceed with the activation of his cover with just the exclusion for stress remaining, that could be reviewed after two years.

Exclusion for stress that remained on the income protection policy

Mr H was aware that the exclusion for stress still remained on his policy. I appreciate he is unhappy LPL didn't follow up with him two years after the sale to review the remaining exclusion. While I accept it would have been beneficial for LPL to proactively reach out to Mr H to discuss this, there no regulatory requirement for LPL to arrange this.

I can see that when M H raised concerns to LPL that this exclusion hadn't been reviewed after two years, they promptly contacted the underwriter to arrange a review. I think this was a reasonable step for LPL to take. The underwriter decided not to remove the exclusion, but LPL didn't have any control over this decision.

Child and parent cover under his income protection policy

Mr H said he believed he had taken out insurance to cover his children's health. But having listened to his calls with LPL, at no point did a discussion take place about Mr H wanting to take out protection for his children.

I acknowledge that at the beginning of his sales journey with LPL, Mr H told them that sadly his daughter had been diagnosed with leukaemia in the past. The advisor explained that pre-existing conditions wouldn't be covered for children and Mr H indicated he was aware of this as he'd spoken to other insurers who'd told him the same thing. Mr H makes no further mention of his children's health to LPL or wanting to obtain cover for them.

I've also taken into account the documentation Mr H was provided with. Before the sale completed, he was sent a quote setting out the cover with just him and his wife listed as policyholders. LPL provided him with direct links to this document during the application, so I'm satisfied Mr H had straightforward access to all the important information he needed in relation to the policies he was applying for.

I've seen nothing in the policy documentation from LPL or the insurer that suggested he had cover in place for his children. Mr H has provided a copy of the child and parent terms and conditions that form part of his income protection cover which I've addressed below.

Mr H has referred to a section of his Income protection which includes child and parent cover. It provides a benefit of £25,000 if a policy holders child is diagnosed with a condition listed in the policy. The policy holder doesn't have to be unable to work to receive this feature, the benefit is paid in addition to the benefit for being unable to work due to sickness.

However, this section of the policy doesn't apply for any condition diagnosed before the plan went into force. Mr H is unhappy he can't claim under this section of his policy. He believes when he was told the family history exclusion had been disregarded this should mean the general exclusion for pre existing conditions in the terms for child and parent shouldn't apply for his daughter.

But a general exclusion in the terms of this section of the policy is different to the specific exclusion for colorectal cancer added to Mr H's policy by the underwriter based on the medical history he'd disclosed during his application.

I don't think this general exclusion under a feature of the income protection policy was a significant exclusion that needed to be brought to Mr H's attention. I say that because he told LPL from the start that he was aware his daughter's illness couldn't be covered due to the pre existing nature of her condition.

Summary

I'm mindful that that the price of the plan seemed to be Mr H's main concern when taking out the policies. He told LPL he had shopped around himself for the best value policies. And when the exclusions were added to his income protection policy, he was unhappy that the price hadn't decreased, rather than the cover no longer being suitable for him due to restrictions that had been applied.

I'm satisfied Mr H was provided with sufficient information about his policies to make him aware of the type of cover he had taken out, and the exclusions that were applied to his income protection policy. I'm persuaded he understood the cancer exclusion was removed following the additional information he provided to LPL about his mum's medical history. And there isn't evidence from the sale to suggest Mr H wanted to take out cover to protect his children's health.

I'm sorry to hear about the change in Mr H's daughter's health. This must be an extremely difficult time for him, and I appreciate his upset that he's unable to make a successful claim in the circumstances. But for the reasons I've explained above, I don't think there is anything I can reasonably ask LPL to do here.

My final decision

For the reasons set out above I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 18 April 2025.

Georgina Gill
Ombudsman