

The complaint

Mrs G complains that Red Sands Insurance Company (Europe) Limited declined a claim on her pet insurance policy.

What happened

Mrs G has pet insurance underwritten by Red Sands for her dog. She made a claim on her policy for treatment costs relating to surgery to remove a lipoma.

Red Sands said the vet's notes show her dog had a few lipomas in June 2020, which was before Mrs G took the policy out. So it added an exclusion to the policy for lipomas and this meant the claim was not covered.

Mrs G complained but Red Sands didn't change its decision. Red Sands acknowledged the treatment was for a lipoma that only became apparent after the policy started and was in a different area from the previous lipomas. It said the claim was declined solely due to the exclusion it had added for any treatment related to lipomas (past or future), due to the pre-existing lipomas reported in 2020.

Our investigator didn't think it was fair to decline the claim. She said:

- there was no evidence the lipomas from 2020 caused any further problems, and no expert evidence the previous lipomas were connected to the current claim; and
- there was no evidence Mrs G would have been aware the lipomas from June 2020 would have meant her dog would develop a lipoma on her hind leg several years later.

The investigator asked Red Sands to cover the claim in line with the remaining policy terms (together with interest), and pay £100 compensation to recognise the distress and inconvenience Mrs G had experienced.

Red Sands disagreed and requested an ombudsman's decision, though it didn't provide any further evidence.

I issued a provisional decision saying I intended to uphold the complaint, but in addition to settling the claim and paying the compensation, I also intended to direct Red Sands to remove the exclusion for lipomas. I set out my reasons as follows:

The relevant industry rules and guidance say insurers must deal with claims promptly and fairly, and support consumers to make a claim. They shouldn't unreasonably reject a claim.

The policy terms say:

Pre-existing conditions aren't covered in this policy. A condition, injury or illness is pre-existing if [pet's name] has shown signs or symptoms before you joined... or within the first 14 days of your initial policy start date. This also includes any other condition, injury or illness which is connected to that pre-existing condition as determined by a vet.

You don't have to tell us about [pet's name] pre-existing conditions. When you submit a claim, we will request their medical history. Each claim will be assessed, and all relevant exclusions applied from the date your policy started.

It's not unusual for an insurer not to cover pre-existing conditions. If it's clear the condition being claimed for was present before the policy started, it's generally fair to exclude cover for that specific condition.

But in this case, Red Sands has itself acknowledged the claim related to a lipoma that was only noticed after the policy started and is in a different area from the previous lipomas. The veterinary evidence is that a few lipomas were noted in 2020 but no action was needed. As far as Mrs G was aware, when she took out her policy some years later, there was no reason to think her pet had a condition that was likely to need treatment. And the lipoma that appeared some time after that does not appear to be connected to the lipomas noticed four years earlier. I note also that Red Sands told Mrs G "It's important to clarify that this decision is based on [her pet's] medical history and not an indication that the current mass on the leg is pre-existing."

In these circumstances it wouldn't be fair to treat this as a pre-existing condition.

In addition, what Red Sands did was add an exclusion, backdated to the start of the policy, for anything to do with lipomas, and then rely on that exclusion to decline the claim. I've considered whether it was fair to do that.

The claim would potentially be caught by an exclusion for lipomas. But to add an exclusion after the policy has started, and backdate it to the beginning of the policy, Red Sands would need to show there had been a qualifying misrepresentation.

To do that, Red Sands would need to show it had asked Mrs G a clear question about her pet's condition; she had failed to take reasonable care when answering that and provided inaccurate information; and, if she had given the correct information, it would have done something different.

Red Sands hasn't shown any of these things. Since it didn't ask Mrs G any questions about her pet's history, it couldn't say there was a misrepresentation when the policy was sold.

In these circumstances I don't think it's fair to add the exclusion and then rely on it to decline the claim.

Mrs G would have been upset that her pet needed treatment and this was made worse when she found the claim wasn't covered, leaving her with a large bill to pay. It's fair that she should be compensated for the distress and inconvenience she was caused.

Replies to the provisional decision

Mrs G has accepted the provisional decision. Red Sands has not confirmed whether it accepts or provided any further comments.

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.

As Mrs G accepts my findings and there's nothing further from Red Sands for me to consider, there is no reason to change my provisional decision. So I'm upholding the

complaint, for the reasons set out above.

My final decision

I uphold the complaint and direct Red Sands Insurance Company (Europe) Limited to

- remove the exclusion for lipomas;
- settle the claim in line with the remaining policy terms, together with interest from the date Mrs G paid the vet's fees to the date of payment at 8% a year simple; and
- pay £100 compensation to recognise the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 8 January 2025.

Peter Whiteley
Ombudsman