

The complaint

Mr M's complained – through his representative, Mrs M – that AIG Life Limited cancelled the policy and refunded the premiums he'd paid. He's not clear why they did this.

References in this decision to submissions and comments by Mr M include those made by Mrs M on his behalf.

What happened

Mr M bought a policy from AIG towards the end of 2020. He says he was fit and well at the time. But, not long after the policy started, he began experiencing symptoms which eventually led to diagnosis of a form of dementia.

In summer 2023, Mrs M contacted AIG about the policy as she wasn't aware what it covered. The adviser she spoke to took some details of Mr M's condition and said AIG would need some information confirmed in writing. AIG later asked for information to confirm Mr M's diagnosis and Mrs M sent them copies of correspondence from his treating consultant.

Based on what Mrs M had told them when she called, AIG concluded Mr M's condition had existed before he bought the policy and – if they'd known that – they wouldn't have offered him cover. So they wrote to Mr M notifying him they'd cancelled the policy and that they would be refunding the premiums he'd paid.

Mrs M complained. She said she'd been told the policy wouldn't be cancelled before the matter was looked into, but that hadn't happened. And she and Mr M didn't know what he was said to have done wrong.

AIG investigated the complaint and sent Mrs M their final response. They said that, when Mrs M called, she'd said that Mr M's condition had started before he bought the policy. They acknowledged there was some confusion on the call and that the hospital letters they'd been sent weren't enough for them to decide whether they should have accepted Mr M's application, because they didn't show when his symptoms started, or when he was diagnosed. It was for this reason they requested authority to obtain Mr M's medical records – which hadn't been provided.

Mr M wasn't satisfied with AIG's response. So Mrs M brought his complaint to our service. Our investigator reviewed the available information and concluded AIG didn't need to do any more to resolve the complaint. She was satisfied that the information Mr and Mrs M supplied didn't give AIG what they needed to assess Mr M's claim and so it had been fair for them to cancel his policy.

I didn't agree with our investigator's view. So I made a provisional decision. I listened to calls between Mrs M and AIG. Mrs M made those calls to try and find out the details of Mr M's policy, as she hadn't known he'd bought the policy. I didn't think she'd clearly told AIG Mr M was diagnosed, or had been unwell, before then. She'd not disagreed when the call handler checked their own understanding that his illness pre-dated the purchase. But she'd also said he was fit and well.

I thought that, on the basis of that conversation, it was fair for AIG to make enquiries to establish if Mr M had made accurate disclosures about his health when he bought the policy. But I didn't think they'd explained to Mrs M exactly why they asked her for information, what they were trying to verify, or the potential consequences of finding out Mr M had misrepresented his health.

I said AIG should pay Mr M £500 compensation for these shortcomings. And I said that, if Mr M wants the policy to be reinstated, and provides consent for AIG to obtain his medical records, AIG should review the records and establish whether they can do this.

AIG accepted my provisional decision. Mrs M accepted on behalf of Mr M, but raised some questions about how reinstatement might be dealt with. So the matter's been passed back to me to make a final 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 that, I'm upholding Mr M's complaint for the reasons set out in my provisional decision, and which are summarised above.

Putting things right

As I set out in my provisional decision, there's no policy in place at the moment. And I don't think it's fair for me to say AIG should reinstate it without investigating whether Mr M provided accurate information when he applied for the policy. So, if Mr M wants the policy reinstated, he'll need to consent to AIG obtaining his medical records so they can make those investigations.

I explained in my provisional decision that, if the policy is reinstated, AIG will be entitled to repayment of the premiums they previously refunded, as well as the premiums that haven't been collected since the policy was cancelled.

Mrs M asked whether those premiums could be the subject of a payment arrangement. I said I'd hope AIG would deal with the repayment of premiums sympathetically. But that will only be an issue if

- (a) Mr M gives consent for AIG to obtain his medical records; and
- (b) AIG satisfies itself Mr M didn't make any misrepresentations about his health in the application which meant they wouldn't have offered him cover.

I'd expect AIG to let Mr and M know at that point the amount of the premiums they'd need to make up so they can make an informed choice on whether to have the policy reinstated. But I don't think it's appropriate for me to make a direction on this point as part of my decision because I don't know the outcome of points (a) and (b).

And AIG should pay Mr M the £500 compensation they've agreed to in recognition of their lack of clarity around the reasons they needed medical records and the cancellation of the policy – which clearly caused Mr M distress and frustration.

My final decision

For the reasons I've explained, I'm upholding Mr M's complaint about AIG Life Limited and directing AIG to:

- pay Mr M £500 compensation; and
- if Mr M provides consent to obtain his medical records, review those records and decide whether to reinstate the policy.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 24 January 2025.

Helen Stacey
Ombudsman