

The complaint

Mr F has complained that St Andrew's Insurance Plc unnecessarily delayed paying out a claim he made on his mortgage payment protection insurance (PPI) policy which resulted in him having to draw his occupational pension earlier at a reduced rate.

What happened

Mr F made an unemployment claim on the policy in April 2009. It was initially declined due to the information provided by Mr F's employer. However, it was subsequently accepted in September 2009.

St Andrew's sent its final response to this complaint on 12 September 2023. It accepted that it could have paid the claim by 18 August 2009 and offered him interest of £135.36 on the claim amount. It also offered him £250 for delay and inconvenience. Mr F said that he wished to decline both payments.

Our investigator thought that St Andrew's had acted reasonably in the way it handled the claim. Mr F disagrees and so the complaint 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.

The complaint involves the actions of the claim administrators, acting on behalf of St Andrew's. To be clear, when referring to St Andrew's in this decision I am also referring to any other entities acting on its behalf.

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Mr F has laid some of the blame for his current circumstances on the actions of his former employer and the pensions administrator. To be clear, I have no powers to look at their conduct and this decision is restricted to a consideration of whether or not St Andrew's has done anything wrong.

I've carefully considered the obligations placed on St Andrew's by the Financial Conduct Authority (FCA). Its 'Insurance: Conduct of Business Sourcebook' (ICOBS) includes the requirement for St Andrew's to handle claims promptly and fairly, and to not unreasonably decline a claim.

The Financial Ombudsman Service was established to be a quick and informal service. This doesn't mean that we apply any less rigour or care in reaching our decisions. However, it does mean that we might not address each and every point in the way that Mr F might wish. He has made some wide-ranging submissions in support of his complaint. I would like to reassure Mr F that, even though I might not mention it directly, I have read and considered everything that he has provided.

Mr F holds St Andrew's responsible for his current financial situation and reduced pension income. The main crux of his complaint is that, as the claim wasn't paid out more promptly,

he had no money to live on and so had no other option but to start taking his pension at the age of 52. His point is that, had the claim been paid earlier, that would have led to a different chain of events in terms of the actions he would have taken, information he would have been provided with and negotiations with his employer.

As Mr F describes it, his employer wanted to end his employment due to his ill health and started talking about a compromise agreement (CA). He wanted to be considered for medical retirement. However, his employer told him that the new minimum age for taking your normal pension was being raised to 55. So, if his application for ill health retirement was unsuccessful, he wouldn't be able to draw on his normal pension until he was 55. So, he took the CA in April 2009 but then was still waiting for the outcome of his ill health pension application, which transpired would be a long process.

Mr F has explained that the information he was given about the increase in pension age was incorrect. The pension trustees wrote to its members later in 2009 to explain that members like him had a protected pension and so the new minimum age didn't apply to him. However, because his pension was already in payment at that time, he wasn't included in this mailout. Mr F has said that, if St Andrew's had paid the claim earlier, he would most likely have taken the CA and awaited the outcome of his application for ill health pension. Then he would have received the letter that went to the pension members, in which case he could have insisted on being reinstated due to his CA being based on false information about the change to the normal pension age.

As he felt he was being pressured by his employer to enter into a CA, he rang St Andrew's on 8 April 2009 to ensure that he would be covered if his employment ended by that means. As I understand it, he was told that, as long as it wasn't a result of his misconduct, he should be covered.

He was sent a claim form on 15 April 2009, which St Andrew's says it received back on 29 June 2009. At that point St Andrew's sought more information from Mr F's employer and received a response on 31 July 2009 saying that he had retired.

In common with all such policies, it only covers involuntary unemployment. As retirement would be seen as voluntary, St Andrew's then declined the claim.

Mr F appealed the decision and provided more information from the solicitor that had acted for him. Following this, and accepting that Mr F had taken steps to call it prior to entering into the CA, St Andrew's accepted the claim on 25 September 2009, with the first backdated payment being made on 30 September 2009.

Mr F says he only agreed to the compromise agreement due to being reassured by St Andrews over the phone that he would be covered under the policy. He says he did all he could to ensure that everything was in place. It is undoubtedly the case that Mr F did everything in his power at the time. The matter at hand is whether St Andrew's has then done something wrong.

Mr F says St Andrews should have been able to pay out the claim straight away and reneged on what it told him over the phone. However, I'm not persuaded that is the case. It seems to me that it provided the correct information to him, based on the scenario he was presenting.

Mr F says, given the seriousness of the situation, St Andrew's should have explained to him any conditions that may affect his claim. But he had told St Andrew's what his situation was and it responded accordingly. Had, for example, St Andrew's said that he wouldn't be covered for early retirement, that wouldn't have been an issue for him because he didn't take

early retirement and he could not have anticipated that his employer would later state that as his reason for leaving.

Whilst accepting that it was his employer's fault for providing incorrect information, he's said that, based on what he had told it, St Andrew's should have disregarded what his employer said. It should have paid out on the claim and then taken the matter up directly with his employer.

No insurer would ever pay out a claim based solely on what a policyholder had explained. There would always be a verification process. The timescale for this depends on how quickly the insurer gets the information it needs. In relation to an unemployment claim, that includes information from the employer about the reason for leaving.

Also, I consider that St Andrew's was entitled to rely on the information it received from his employer to initially conclude that he had voluntarily left work due to retirement. The next step would be for Mr F to provide information to disprove that point and thereby show that he was making a legitimate claim. Upon Mr F appealing and providing some more information, it reversed its decision, which was reasonable. That process inevitably took some more time. I think that St Andrew's assessment that it could have paid out the claim by 18 August 2009 is fair.

I've thought very carefully about everything Mr F has said and I acknowledge the strength of his feelings on the matter. However, on balance, I'm unable to conclude that St Andrew's is responsible for him being put in the position of having to draw his pension early.

Overall, I consider it acted reasonably in the way that it dealt with his claim. It's response to the complaint, in concluding that it could have made payment about a month earlier than it did, and the offer of compensation for that, is also reasonable.

So, I'm sorry to disappoint Mr F, but it follows that I do not uphold his complaint.

My final decision

For the reasons set out above, I do not uphold the complaint. However, St Andrew's should pay the compensation offered in its final response letter of 12 September 2023 if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 19 February 2025.

Carole Clark
Ombudsman