

The complaint

Mr M has complained that London and Country Mortgages Ltd (“L&C”) mis-sold him a life and critical illness policy.

What happened

The background to this complaint is well known to both parties so I won’t repeat it again here in detail. In summary Mr M was sold a life and critical illness policy by L&C in 2019. In 2024 he claimed on the policy as he was unfortunately diagnosed with a basal cell carcinoma. When the insurer declined his claim, he complained to L&C that the policy had been mis-sold to him.

L&C didn’t uphold Mr M’s complaint and he referred it to our service. Our investigator didn’t recommend that it be upheld. She found the policy was suitable for Mr M’s recorded needs. Mr M appealed. He said that he had been told by L&C that his policy would cover all carcinomas in situ requiring surgical treatment. He said that he didn’t provide a set budget when purchasing the policy – he simply wanted one that would clear the mortgage were he to suffer from serious illness or death.

As no agreement was reached the matter was passed to me to determine. I issued a provisional decision saying as follows:

Although I’ve summarised the background to this complaint no discourtesy is intended by this. Instead, I’ve focused on what I find are the key issues here. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts.

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint. I’ve provisionally decided to uphold it for the following reasons:

- The relevant regulations say that financial firms must pay due regard to the information needs of their clients and communicate to them in a way which is clear, fair and not misleading. It must also treat customers fairly, so I’ve looked at the circumstances of the sale to see if L&C did so here.*
- Mr M was provided with a breakdown of the differences between two policies in order that he could make an informed choice as to which to select. He selected cover with an insurer I’ll refer to as Z. The summary provided by the adviser said, amongst other things, that the cover would provide “a catch all for any carcinoma in situ requiring surgical treatment”.*
- Although there is nothing to suggest that Mr M said to the adviser that this particular cover was important to him for any reason, I do find that the ‘catch all’ sentence was misleading. Mr M has said that L&C had access to his medical records – but I wouldn’t expect the adviser to go through the medical records in order to determine if anything there would mean Mr M was more likely to claim under any particular head*

of cover. It is for the insurer to determine if medical records are needed in order to underwrite a policy and if so to consider them. That said I can see how disappointing it would have been for him when his claim was declined given that he was led to understand he had cover.

- In this decision I'm not looking at the reason the claim was declined. It is clear that the policy Mr Z purchased does cover less advanced cancers, but there are certain requirements that need to be met for a claim to be paid. There are also certain requirements for a skin cancer claim to be paid. This is not unusual, and I haven't seen evidence that Mr M would have been able to purchase a critical illness policy that would cover any in-situ basal cell carcinoma without further requirements. This being so, I don't find that Mr M was prejudiced here as the policy recommended did meet his objective – to provide cover if he was diagnosed with serious illness or died. So I'm not persuaded that Mr M would have done anything differently had the information been clearer.*
- However, I accept Mr M's testimony that he expected his claim to be covered. I say this because of the 'catch all' sentence referred to above, and that although L&C did explain this was a summary, Mr M wasn't specifically advised that other terms or exclusions might apply. I find it more likely than not Mr M was sent the policy documentation and could have seen the full policy wording, but that doesn't detract from the fact that he was given misleading advice. For the disappointment suffered when he learned the 'catch all' sentence should have been qualified, I'm provisionally satisfied that compensation is merited. I find that £150 is fair and reasonable in the circumstances.*

I invited the parties to respond. Neither party accepted my provisional decision.

L&C reiterated that the medical conditions in question were covered under the policy and the fact that a condition is covered doesn't guarantee a successful claim. It made the point that it does not have access to individual medical records under data protection rules and this information would be limited to the insurers upon request.

L&C said that whilst a medical condition may be covered under a policy, as with any insurance claim it must meet the set threshold to result in a successful claim. It did not agree that the 'catch all' phrase used by the advisor would result in Mr M's belief that his claim would be covered. L&C said it is simply a term that means 'to encompass a variety of different elements' and it doesn't follow that this would automatically lead to a belief of a guaranteed successful claim.

So L&C was unsure why a payment for providing misleading information would be considered as it did not believe the phrase to be misleading given that the policy did cover the medical conditions. L&C said it is only that Mr M did not meet the threshold for a successful claim that stopped it paying out.

Mr M felt that £150 was relatively insignificant. He couldn't see that it would be a deterrent to firms going forward. He said that as L&C had profited from selling the policy he felt that the appropriate settlement should be an amount at least equivalent to the commission L&C received. Mr M felt this would be appropriate for providing misleading information would also compensate for the issues and stress caused to him on top of his traumatic diagnosis.

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'm not persuaded to change my provisional decision and I adopt the findings here. I acknowledge that the policy did provide comprehensive cover, and that this alone doesn't guarantee a successful claim. But I don't agree with L&C that the phrase wasn't misleading, and I'm satisfied that it misled Mr M, for the reasons given.

That said I'm not persuaded that compensation of £150 is unreasonable. The purpose is not to punish L&C – and I find the wording of misleading statement was unfortunate rather than deliberate. L&C provided a service and I see no reason to conflate commission and compensation. I recognise that receiving the diagnosis he did was traumatic for Mr M. But I find that £150 is fair and reasonable compensation for the disappointment caused by the 'catch all' wording.

My final decision

My final decision is that I uphold this complaint. I require London and Country Mortgages Ltd to pay Mr M £150.

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

Lindsey Woloski
Ombudsman