

## The complaint

Mrs C has complained that Society of Lloyd's (SoL) underpaid a claim she made on a mortgage payment protection insurance (PPI) policy.

## What happened

Mrs C made a sickness claim on the policy which was accepted and paid out for the period 26 September 2023 to 26 May 2024. However, the payout was calculated at £1,121.63 per month, whereas Mrs C expected to receive £1,275 per month.

Our investigator thought that SoL acted fairly and reasonably in the way it settled the claim. However, as Mrs C had been over-insured, he recommended that it should provide a partial refund of the premiums from the end of a previous claim in December 2022 until the policy was amended by Mrs C (which is understood to be June 2024).

SoL disagrees with the investigator's opinion 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 SoL. To be clear, when referring to SoL in this decision I am also referring to any other entities acting on its behalf.

Looking at the policy terms, they state:

*'Monthly Benefit:*

*The amount chosen by you and shown on your current schedule of insurance.*

*If your monthly repayment is less than £1,650 you can increase the amount you insure up to 150% of your monthly repayment to include premiums for this policy, buildings and contents insurance on the property, and associated life assurance policies, provided the lower of the following amounts is not exceeded:*

*60% of your monthly earned income before tax; or*

*£1,650.'*

At the start of the claim Mrs C's monthly mortgage repayment was £633.66. The PPI premiums were £67.45 per month and she had a life insurance policy costing £46.64 per month. Therefore, her monthly mortgage-related outgoings were £747.75. As set out in the policy terms above, the maximum available benefit is 150% of such costs, that being £1,121.63. As SoL paid out £1,121.63 per month, I'm satisfied that it settled the claim correctly.

When Mrs C first arranged the policy, it was set up to provide a benefit amount of £1,275, in line with her monthly mortgage related outgoings, and so the premium she was paying was commensurate with that. However, as her mortgage repayments changed, she became over-insured.

At the benefit amount of £1,121.63, the policy premiums should have been lower, but that wouldn't happen automatically, as SoL would be unaware of the cost of her mortgage and related insurance. Although Mrs C has said that SoL should have taken action to adjust the monthly premium, it was her responsibility to regularly review her level of cover and to contact her broker to make amendments if necessary.

Mrs C had made previous claims on the policy, the last being in 2022. On that occasion, SoL made a decision to paid out a benefit of £1,275, over and above the policy terms. However, it wrote to Mrs C on 7 October 2022 saying: *'Please note, your claim will be paid at your current monthly benefit amount. However, you are over insured. Once your claim has ended please contact (broker) to discuss your monthly benefit amount.'*

Although Mrs C says she did contact her broker following this, I haven't seen any evidence of that. Had she requested an amendment, she should have seen a change in her premiums. When that didn't happen, I might have expected her to query why her premiums hadn't reduced. She's said that the broker was fully aware of her mortgage amount, but of course the maximum benefit available under the policy also depends on the cost of any related insurance products and not just the mortgage repayment amount. Nevertheless, if she feels that the broker failed to act on her clear instructions, she would need to make a separate complaint to them about that.

Our investigator recommended that, as Mrs C was over-insured, SoL should refund the over-payment of premiums (that being the difference in what she should have been paying for a benefit amount of £1,121.63 and the £67.45 that she was actually paying).

SoL says it was Mrs C's responsibility to ensure that she had the correct level of cover and that her annual review letters had reminded her of that. Furthermore, it had written to her in October 2022 informing her that she was over-insured and yet she had not taken any action to address her over-payment of premiums.

I appreciate SoL's argument and have some sympathy with it. However, in writing to her in October 2022, it was signalling its intent that it would not pay out any future claims at £1,275 per month but would instead strictly apply the policy terms. Therefore, from the end of the previous claim in December 2022, it was no longer on risk for the higher amount. So, I don't think it's fair for it to retain the premiums for that higher amount.

SoL has said that it shouldn't be penalised for Mrs C's lack of action in amending the premiums. However, I don't see it as a penalty – it's just a straightforward refund of premiums for the amount it wasn't on risk for. No interest is being applied to this amount, in recognition that it was not responsible for Mrs C being over-insured. But I do consider that SoL should have offered the partial refund of premiums in response to the complaint.

### **Putting things right**

SoL should refund Mrs C's overpayment of premiums from the date her 2022 claim ended to when they were amended by Mrs C in 2024.

**My final decision**

For the reasons I've explained, I uphold the complaint and require Society of Lloyd's to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 9 July 2025.

Carole Clark  
**Ombudsman**