

The complaint

Miss C complained about how much The Prudential Assurance Company Limited paid out on a claim on her serious illness policy. Miss C is also unhappy with how much cover she has remaining on the policy.

What happened

Miss C took out a life and critical illness policy with Prudential in June 2014. Her policy covered her for a total of £35,000. The full amount was payable for a life claim and up to £12,000 for a serious illness claim.

Miss C was diagnosed with cancer in 2023. I'm sorry to hear about her diagnosis and wish her all the best for her future treatment and recovery. Miss C raised a claim with Prudential in December 2023. Prudential reviewed Miss C's claim and accepted it. However, Prudential paid a proportionate settlement due to a misrepresentation. As a claim had been made on the policy under the serious illness section, the sum assured under the policy was adjusted in line with the claim amount. Miss C was unhappy with how much she was paid and how much was remaining on her policy and so raised a complaint.

Prudential upheld Miss C's complaint. Whilst they didn't agree they'd incorrectly either paid a proportionate settlement or reduced her sum assured following the claim, they did accept some of the information provided to Miss C could have been clearer. Prudential offered Miss C £50 compensation for the trouble and upset caused. Miss C was still unhappy and so brought the complaint to this service.

Our investigator didn't uphold the complaint. They agreed that the claim wasn't incorrectly settled nor was the remaining sum assured incorrect following the claim. She thought the compensation offered by Prudential was fair in the circumstances. Miss C appealed. She felt she'd been scammed as there was no evidence showing or proving that she's incorrectly ticked any boxes or signed anything. As no agreement could be reached, the complaint has been passed 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.

When considering complaints such as this, I need to consider the relevant law, rules and industry guidelines. The relevant rules, set up by the Financial Conduct Authority, say that an insurer must deal with a claim promptly and fairly. So, I've thought about whether Prudential acted in line with these requirements when it declined to settle Miss C's claim.

At the outset I acknowledge that I've summarised her complaint in far less detail than Miss C has, and in my own words. I'm not going to respond to every single point made. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. The rules that govern the Financial Ombudsman Service allow me to do this as it's an informal dispute resolution service. If there's something I've not mentioned, it isn't because

I've overlooked it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach an outcome in line with my statutory remit.

A claim has been accepted and paid by Prudential on Miss C's policy. However, the claim has been reduced due to Prudential stating Miss C misrepresented during her policy application. I'll need to start by assessing the misrepresentation.

The relevant law for misrepresentations is The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). This requires consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance contract (a policy). The standard of care is that of a reasonable consumer.

And if a consumer fails to do this, the insurer has certain remedies provided the misrepresentation is - what CIDRA describes as - a qualifying misrepresentation. For it to be a qualifying misrepresentation the insurer has to show it would have offered the policy on different terms or not at all if the consumer hadn't made the misrepresentation.

CIDRA sets out a number of considerations for deciding whether the consumer failed to take reasonable care. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless, or careless.

Prudential thinks Miss C failed to take reasonable care when she answered the following questions:

"Apart from any condition you have already told us about, have you had any of the following in the last 5 years:

- *Any mental health disorder, including stress, anxiety, panic attacks, depression, nervous breakdowns or eating disorders.*
- *Required more than 2 weeks off work for any medical condition, illness or injury not already mentioned.*

Apart from anything you have already told us about in this form, within the last 2 years have you had any medical condition, illness or injury that you have received treatment for, over a continuous period of 2 weeks or more?"

Prudential has provided me with Miss C's medical records. These show the following:

- October 2010 – Consultation for back pain. Issued with a medical certificate for 10 days
- May 2011 – Presented due to stress at work. Medical certificate for 2 weeks off.
- July 2011 – Prescription for anxiety
- April 2012 – Referred for counselling
- June 2012 – Consultation for back pain
- November 2012 – Referred for counselling
- December 2012 – Referred for counselling
- September 2013 – Referred for counselling

- December 2013 – Booked initial counselling assessment appointment. Prescription for anxiety and panic attacks
- January 2014 – Trialled alternative antidepressant for low mood. Placed on waiting list for counselling therapy

Based on the questions asked, the answers given and the medical information, I do agree that Miss C misrepresented during her application. I think the questions are clear in what they want to know and so I don't think Miss C took reasonable care when answering the questions.

Prudential have provided me with a statement from an underwriter and the relevant parts of their underwriting manual. Based on what I've seen, Miss C would have been offered a policy, but at an increased premium and two exclusions added. As a result, I think Miss C's misrepresentation would be a qualifying misrepresentation under CIDRA.

Whilst I haven't seen the category of misrepresentation applied by Prudential, as they've, paid the claim with a proportionate settlement, this is in line with a careless misrepresentation under CIDRA. This is the lowest level of misrepresentation. I don't think this is unreasonable.

Miss C's policy initially had a total sum assured of £35,000 with a serious illness sum assured of £12,000. Due to the misrepresentation, Prudential reduced the total sum assured to £25,367.56 and the serious illness sum assured to £8,697.45. Having reviewed Prudential's underwriting information and CIDRA, I don't think Prudential have acted unfairly in how they've reduced the sum assureds.

Miss C's claim was accepted at severity level A, which meant 100% of the serious illness cover. Prudential paid out the full £8,697.45 to Miss C. The policy terms state the following:

"If We make payments to you as a result of a successful claim, then the value of your plan account reduces by the amount we have paid you. This means that if you need to claim again, the value of the covers in your plan account will be lower."

As a result of the successful claim, Prudential has reduced the total sum assured by £8,697.45 to £16,670.11. As the serious illness cover is based on a percentage of the total sum assured, if Miss C needed to claim for another serious illness, the sum assured would now be £5,715.47. This is in line with the policy terms and conditions.

I'm very sorry that my decision doesn't bring Miss C more welcome news at what I can see is a very difficult time for her. But in all the circumstances I don't find that Prudential has treated Miss C unfairly, unreasonably, or contrary to law or the policy terms and conditions in how they've settled the claim or reduced the sum assured.

Prudential have agreed they could have made the information clearer about the reduction in the sum assureds. Having reviewed all the information, I agree that this is the case. Prudential offered Miss C £50 compensation for the trouble and upset caused. Having considered the circumstances and the impact on Miss C, I think the £50 compensation is fair. Miss C didn't accept the compensation offer and so as far as I'm aware, this hasn't been paid.

Miss C has said there's no evidence showing or proving that she's incorrectly ticked any boxes or signed anything. It's not clear exactly what Miss C thinks has been incorrectly ticked or signed. The misrepresentation was based on the application questions. Miss C was required to answer these questions, but she's not disputed they weren't how she

answered them. The questions on the application form didn't require a tick or any signatures. The reduction following a successful claim was in line with the policy terms and conditions, so she wasn't required to sign or tick anything here either. I've not seen any evidence of a tick or a signature being used to reduce the sum assured on this claim.

Putting things right

Prudential should pay the £50 compensation previously offered to Miss C.

My final decision

For the reasons I've explained above, I uphold this complaint and direct The Prudential Assurance Company Limited to put things right by doing as I've said above, if they haven't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 28 April 2025.

Anthony Mullins
Ombudsman