

The complaint

Mr J complained that Vitality Life Limited declined a claim on his life and serious illness policy.

What happened

Mr J took out a life and serious illness policy with Vitality in May 2017. In 2020, Mr J unfortunately lost his job. Due to ill health, Mr J raised a claim with Vitality in July 2022.

Vitality declined Mr J's claim stating that he didn't meet the policy terms and conditions for a valid claim. Mr J raised a complaint but Vitality didn't change their outcome. So, Mr J brought the complaint to this service.

Our investigator upheld Mr J's complaint. He felt Vitality had unfairly declined the claim as they'd assessed the claim against the wrong definition. Vitality appealed. They didn't think our investigator had correctly understood the policy terms and conditions. They didn't agree that they'd done anything wrong. 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, and not unreasonably decline it. So, I've thought about whether Vitality acted in line with these requirements when it declined to settle Mr J's claim.

Having done so, and whilst I appreciate it'll come as a disappointment to Vitality, I've reached the same outcome as our investigator.

At the outset I acknowledge that I've summarised his complaint in far less detail than Mr J 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.

Mr J is claiming under the total permanent disability section of his policy. Depending on the circumstances, this can take on different definitions. The policy schedule sets out the following information:

"Total Permanent Disability will be based on your Own Occupation or Permanent Failure of Functional Activity (See Plan Provisions for details)."

However, the policy provisions set out the following:

“Total permanent disability

Your plan schedule indicates which of the following definitions apply”

So, I don't think either of these documents are clear as to which definition would apply.

In their file to us, Vitality has said that the policy provisions provide more clarity under section B2.1. This states the following:

“How we will assess your claim if your occupation has changed

You do not need to tell us if you change your occupation while you are covered under your plan. We will assess any claims you make according to the occupation you were in immediately before you claimed. If we would not normally use an own occupation definition for that occupation, then we may use functional activity tests to assess your claim.”

Vitality has said that as Mr J had been unemployed for more than a month, then he would be assessed as being unemployed and so functional activity tests would be the relevant definition. However, the policy defines occupation as follows:

“Occupation

A trade, profession or type of work undertaken for profit or pay. It is not a specific job with any particular employer and is independent of location and availability.”

Using the definition of occupation with section B2.1, Vitality would need to use the most recent paid employment Mr J had prior to the claim. Based on the evidence supplied by Vitality, this would mean the own occupation definition was relevant in Mr J's circumstances.

As this isn't what Vitality have done, I don't agree that they've assessed the claim fairly and in line with the policy terms and conditions.

Vitality has directed us to a definition in the policy provisions for unemployed/unemployment, which is as follows:

“Ceasing to follow your own occupation for more than one month, and not following any other occupation.”

The above definition only applies to the use of the words unemployed/unemployment within the policy provisions. These words don't appear within section B2 about serious illness cover and so isn't relevant.

I also note that within section B3 for income protection, the policy specifically sets out about how the claim is assessed if you're unemployed, on a career break or become a houseperson. This isn't done in the serious illness cover section.

I agree with our investigator that unfairly declining the claim has caused unnecessary trouble and upset to Mr J. I think the £200 compensation awarded by our investigator is fair and reasonable in the circumstances.

As I don't think Vitality has acted fairly, I uphold this complaint and think Vitality need to put things right.

Putting things right

To put things right, Vitality should take the following actions:

- Pay Mr J £200 compensation for the trouble and upset caused;
- Reassess Mr J's claim against the own occupation criteria as set put in the policy terms and conditions.

My final decision

For the reasons I've explained above, I uphold this complaint and direct Vitality Life 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 Mr J to accept or reject my decision before 12 June 2025.

Anthony Mullins
Ombudsman