

The complaint

Mr M complains that The Shepherds Friendly Society Limited declined a claim and cancelled his income protection policy.

What happened

Any reference to Mr M includes information provided by his representatives.

Mr M held an income protection policy that was provided by Shepherds Friendly since 2012. The policy paid a benefit of up to £3,000 per month if Mr M couldn't work in his occupation due to an accident, illness or injury, with the benefit increasing annually in line with the Consumer Price Index. The policy had a waiting period of 52 weeks.

Mr M had an injury in March 2021 which meant that he couldn't continue to work in his occupation any longer from August 2021 onwards. So, Mr M made a claim under his policy. If the claim was successful, the benefit would be payable from August 2022 onwards.

Shepherds Friendly accepted Mr M had a valid claim under the policy in August 2022. But having reviewed Mr M's circumstances, it said he was earning more than the benefit under the policy. It also said Mr M hadn't declared or shared all the information he'd been asked for on several occasions. This led to Shepherds Friendly terminating Mr M's policy in April 2023 as it considered the claim to be fraudulent.

Mr M said Shepherds Friendly had caused delays in considering the claim, it hadn't assessed his income and earnings fairly, and he disputed its decision to terminate the policy due to fraud. Mr M said that only his monthly salary of £1,047.50 should be taken into account as income. So, he brought a complaint to this Service.

One of our investigators looked into the complaint. And having done so, she didn't think Shepherds Friendly had acted unfairly or unreasonably when it terminated Mr M's policy for the reasons it did, and she considered his earnings to be over the benefit limit. She also didn't think Shepherds Friendly caused avoidable delays during the claim.

Mr M didn't agree with our investigator's findings. As no agreement was reached, the complaint has been passed to me to decide.

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.

Industry rules set out by the regulator (the Financial Conduct Authority) say insurers must handle claims fairly and shouldn't unreasonably reject a claim. Insurers must also handle claims promptly and should provide reasonable information about the progress of a claim. I've taken these rules, and other industry guidance, into account when deciding what I think is fair and reasonable in the circumstances of Mr M's complaint.

I've first considered if Shepherds Friendly acted fairly and reasonably in relying on the following exclusion to terminate Mr M's policy:

"We will not pay on claims that we consider to be fraudulent and the plan will be cancelled."

Shepherds Friendly said it relied on this clause in Mr M's case due to non-disclosure and misrepresentation in relation to Mr M's work activities, directorships, earnings and income. Shepherds Friendly made the following points in relation to these:

- Mr M declared in the health review form that he was only undertaking sedentary admin work, and his daily tasks were restricted to office work for the business and light tasks for family responsibilities. Shepherds Friendly said this referred only to Mr M's work in the business where he was earning a monthly salary of £1,047.50, rather than all the businesses he was participating in. It considered this declaration to be contradictory to the information it later found out about Mr M's work activities.
- It had asked Mr M to declare all the information in the financial review form on three separate occasions, with supporting evidence. Shepherds Friendly said Mr M failed to do so. And when Mr M failed to do so on the first form, Shepherds Friendly provided a more detailed financial review form for him to complete.
- Mr M was receiving a regular payment marked as "wages" on his account (£3,000) which hadn't been declared on the financial review form. Shepherds Friendly found that Mr M was a director of the company that made the payments, and that he was acting as a registered agent for this company – neither of which he'd declared.
- Mr M hadn't declared he was a director of a company from which he received a lump sum payment of over £100,000 in March 2022. And when asked about this specifically, Mr M gave two different explanations who had invested the initial funds and how. And despite requests, no detailed evidence of either explanation was provided.
- Mr M hadn't declared he was working as a freelance consultant for another company, doing public speaking. Shepherds Friendly also noted he had received numerous unexplained large transfers into his bank account that it concluded were likely related to this. And Mr M hadn't provided evidence where these transfers came from.
- Whilst Mr M declared a regular monthly salary, he hadn't declared a payment marked as "wages" on his account (£20,000) from the same company in December 2022. And Mr M hadn't provided detailed evidence to show this was a repayment of a director's loan, rather than wages, as he'd since suggested.
- Mr M hadn't declared he was receiving rental income. Mr M had said this was an error and the payments for one of the properties should have been made to his company. Shepherds Friendly said Mr M hadn't provided evidence to show all the payments made to his personal account in error were returned to his company, or evidence of ownership of the property.

In summary, Mr M – and his representatives – have said the following to dispute Shepherd Friendly's position:

- There were several clerical errors in his bank statements, and he's not educated in the tax system or clerical procedures. Mr M paid for an accountant to fill in the forms, and he provided his bank statements. He's also provided end of year accounts for the relevant companies, as well as his personal tax returns. He says this shows he was being completely transparent and honest.
- The regular payment of £3,000 should have been paid to his company, and a regular amount then paid to him as a repayment of a director's loan. These repayments were declared on the financial review form.
- Lump sum payments shouldn't be considered as "*net monthly*" income or earnings as per the policy terms.
- The large transfers into his account were not related to any work, they were transfers between his accounts. Mr M says he didn't receive any payment for the freelance consultancy work (or public speaking) Shepherds Friendly has referred to.
- The rental income from one property should have been paid to his wife, and the other to his company. So, these shouldn't be considered as his income. He also set up a regular payment to transfer the rental income to his company's account, and these were accounted for in the company's accounts.

I've considered the information provided and everything both parties have said.

Fundamentally, it was Mr M's responsibility to provide information Shepherds Friendly requested. The financial review form contains the following heading:

"Please read this form carefully. [...] Your answers must be true and accurate."

The more detailed financial review form said Shepherds Friendly required the following information:

"PLEASE COMPLETE THE FOLLOWING FORM WITH REGARDS TO;

- *All income, shares, dividends or other forms of financial benefit, arising from ownership, work or the provision of services, whether relating to employment or self-employment, contracted work, part time, full time, one off, or connected with ownership;*
- *All earnings including any form of reward you are responsible for generating whether or not this is in your own name or a business partnership or a limited company.*
- *which is paid to you, or any person or any company or organisation;*
- *which is paid in consequence of services provided by you in any capacity or as a result of ownership by you of an asset.*
- *Any unpaid work or services which you carry out.*
- *All central and local government grants and payments received by you or any company in which you hold any type of financial interest."*

Mr M was asked in the financial review form if he owned a property he did not live in as his main residence – he answered this "no". This wasn't correct. He owned a property jointly with his wife, and his company owned a property. He was also asked if he was a director or shareholder of any company, whether or not he received an income – he only declared two directorships in total. But Mr M was also a director of two other companies, and a shareholder of one company.

Mr M was also doing some freelance consultancy work (or public speaking) that he didn't declare on the form. Shepherds Friendly says it's likely he received an income for this. If this was the case, Mr M should have declared it. Mr M doesn't dispute he was doing this work, but he says he didn't receive any payment for this. If that's the case, he should have declared this on the form when asked if he did any unpaid work. Instead, he answered this question "no". So, in either scenario, this is information that should have been declared to Shepherds Friendly, and Mr M didn't do so.

It seems clear to me, based on the evidence I've seen, that Mr M didn't tell Shepherds Friendly about all the information he was asked to provide, there were discrepancies in the information provided, as well as missing evidence. I can see that Mr M has provided some evidence, including personal bank statements and end of year accounts for the relevant companies. But Shepherds Friendly also asked for detailed evidence considering the discrepancies – including banking and management accounts, and evidence of the relevant money movements. I can't see that these were provided. So, I'm satisfied that evidence which Shepherds Friendly asked for to support Mr M's position were not provided.

Having considered everything, I don't think Shepherds Friendly acted unfairly or unreasonably when it relied on the fraud term to terminate the policy, for the reasons it did.

This means that there's no claim for Shepherds Friendly to consider, as the policy has been terminated. But for completeness, based on everything I've seen, I think it's likely Mr M's income and earnings were above the maximum benefit payable under the policy in any event.

It's not in dispute that Mr M received a monthly salary of £1,047.50. But the definition of earnings included *"any form of reward you are responsible for generating whether or not this is in your own name or a business partnership or a limited company"*. I think Shepherds Friendly acted fairly and reasonably in considering that Mr M was receiving overall earnings that, when combined with his monthly salary, were in excess of the maximum benefit under the policy.

So, even if I didn't think Shepherds Friendly had acted fairly and reasonably in terminating the policy, I think it's unlikely there would be a benefit payable to Mr M in these circumstances.

I've looked through the timeline of events. And whilst there were occasions where Shepherds Friendly could have been more proactive in requesting and chasing for information, I think it's unlikely this would have made a difference in the progress of the claim. I say this because most of the delays were due to Shepherds Friendly waiting for information from Mr M or third parties, and to date, it still hasn't received all the information it asked from Mr M.

For the reasons I've explained, I don't think Shepherds Friendly has acted unfairly or unreasonably in the circumstances of this complaint.

My final decision

My final decision is that I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 May 2025.

Renja Anderson

Ombudsman