

The complaint

Mr W is unhappy with how St James's Place UK plc ('SJP') has calculated the benefit he claimed on his income replacement policy.

What happened

Mr W has an income replacement policy with SJP which covers him if he was unable to work for specified reasons, including ill health. Mr W claimed on the policy as he said he was unable to work due to ongoing issues with his knee.

Mr W is unhappy with SJP's handling of the claim and how they've calculated the settlement. He says that the management of the claim has had severe financial, professional, physical and emotional impacts.

SJP said that the initial claim wasn't paid because the financial evidence confirmed that no income replacement benefit could be paid. They said they could consider this further upon receipt of Mr W's latest tax return. Following receipt of this information SJP said they paid the benefit in line with the policy terms.

Our investigator looked into what happened and didn't uphold the complaint. She thought SJP had acted reasonably and in line with the policy terms. Mr W didn't agree and asked an ombudsman to review the complaint. In summary, he didn't think SJP had fairly used their discretion, which was available under the policy terms. And he didn't think they'd fairly deducted the state benefit payments from his settlement.

These further points didn't persuade the investigator that SJP had acted unreasonably. She thought SJP had reasonably explained their calculation for the deduction of state benefit and that they'd acted fairly when considering the calculation of benefit. So, the complaint was referred to me to make 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.

I'm very sorry to read of the circumstances which gave rise to Mr W's claim. It's clearly been a very difficult time for him. I can also appreciate that, prior to his claim, there were some industry specific issues which had an impact on his income and personal circumstances. I have a lot of empathy with the circumstances that he's described.

I acknowledge that I've summarised this complaint in far less detail than Mr W has, and in my own words. I won't 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 our service allow me to do this as we are 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 fulfil my statutory remit.

The policy terms and conditions set out in detail how SJP define a policyholder's earnings and how, in the event of a claim, SJP will calculate any benefit available under the policy. They also explain that SJP can deduct state benefits or other income sources from any benefit they pay to a policyholder.

The relevant rules and industry guidelines say that SJP have a responsibility to handle claims promptly and fairly. And, they shouldn't reject a claim unreasonably.

I'm not upholding Mr W's complaint because:

- I think SJP has reasonably explained why no benefit was payable to Mr W when they first reviewed the claim. I think that was in line with the policy terms and conditions which set out how they calculate the benefit, including the deduction of state benefits and other sources of income.
- It's unfortunate that there were industry issues which impacted on Mr W's claim as it reduced his income for the relevant tax year. I think it was reasonable for SJP to review the claim when the further tax return was submitted. So, I'm persuaded SJP have acted fairly and reasonably in all the circumstances.
- Mr W has highlighted that SJP have a discretion under the policy which he feels they could have exercised more widely and in his favour. SJP isn't obliged to do so. But, in any event, I don't think SJP acted unreasonably in exercising their discretion in the circumstances. They gave Mr W the opportunity to provide further financial information in support of the claim and paid the claim when that information became available. I also don't think it would be fair and reasonable to direct SJP to pay a higher benefit due to an industrial issue which was outside of their control. I appreciate this is something that significantly impacted Mr W's income. But I don't think that's something I can fairly hold SJP responsible for.
- I've not identified any unreasonable delays in the handling of the claim. I appreciate that there were several months between the initial claim being submitted and when Mr W received the first benefit payment. However, I'm satisfied that the claims process was being followed and that this period included the various steps to validate the claim, such as obtaining financial and medical information. So, I don't think this amounted to a delay of several months in paying the claim. Overall, I'm satisfied the claim was reasonably progressed.
- I've looked at how SJP have calculated the benefit due and the deduction of Mr W's benefits from the policy. Based on the evidence that's available to me, I think the calculations fairly reflect the policy terms. And, in any event, I don't think the way SJP has calculated those deductions is unfair or unreasonable.

My final decision

I'm not upholding Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 27 May 2025.

Anna Wilshaw
Ombudsman

