

The complaint

Mr S is unhappy with how Scottish Widows Limited has settled a claim on his income protection policy.

What happened

Mr S has been receiving a monthly benefit following a successful claim on his income protection policy. The claim has been in payment for many years. He's unhappy with how Scottish Widows have calculated the benefit as they've deducted state benefits from it.

An ombudsman at the Financial Ombudsman Service decided that we had the jurisdiction to consider the payments from 2017 onwards. Scottish Widows issued two further final response letters to Mr S and awarded a total of £800 compensation to him for customer service issues. Following this, the complaint was referred to an investigator to determine the merits of the complaint.

Our investigator looked into what had happened and thought that the monthly payments made to Mr S were fair. He was satisfied the payments had been made in line with the policy terms. And he thought the offer of £800 for customer service issues was fair and reasonable.

Mr S didn't agree and asked an ombudsman to review his complaint. In summary he said that the policy documentation didn't make it clear what the benefit was, and he'd only become aware recently that deductions were being made for state benefits. He highlighted that Scottish Widows accepted they'd been referring to Statutory Sick Pay (SSP) in error and should have been referring to incapacity benefit. Mr S thought that the investigator had simply accepted this change of position which, in his view, wasn't reflected by the policy terms.

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 hear the circumstances which gave rise to Mr S making a claim on the policy. It's clearly been a very difficult time for him, and I have a lot of empathy with the circumstances he's set out, particularly in relation to his health.

My decision focuses on whether Scottish Widows have fairly settled the claim payments since 2017. I'm not considering the sale of the policy or other historic payments made to Mr S. These are matters which have previously been determined to be outside the jurisdiction of The Financial Ombudsman Service.

The relevant rules and industry guidelines say that Scottish Widows have a responsibility to handle claims promptly and fairly.

I'm partly upholding Mr S's complaint but I think the suggested settlement of £800 is fair and reasonable. I say that because:

- I'm satisfied that Mr S has been receiving the benefit set out in his policy schedule, which is £717 per month.
- The policy is set up as a 'level term' policy which means that the amount of benefit doesn't change over time. That's reflected in the schedule and the policy terms. I appreciate that Ms S's income had increased by the time he claimed. However, he hadn't updated the benefit level under the policy.
- I think the monthly benefit has been calculated fairly and in line with the policy documentation. On balance, I'm persuaded Mr S has received the benefit he's entitled to under the policy terms.
- I appreciate that Mr S feels that the policy was incorrectly set up, and incorrectly factored in state benefit deductions. That's not something I can consider as part of this complaint because, as I've outlined above, the Financial Ombudsman Service has previously determined that Mr S made a complaint about this outside of the relevant time scales.
- Scottish Widows has accepted that they've used terminology that's unclear and caused unnecessary confusion. They've accepted that this wasn't acceptable and caused Mr S distress and inconvenience at an already difficult time. I think a total of £800 compensation fairly reflects impact of the substantial and avoidable distress and inconvenience caused to Mr S.

My final decision

Scottish Widows Limited has already made an offer to pay £800 to Mr S to settle the complaint and I think that's fair in all the circumstances.

My final decision is that Scottish Widows Limited should pay £800 to Mr S if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 15 May 2025.

Anna Wilshaw
Ombudsman