

## The complaint

Mr A's complained that Vitality Life Limited didn't pay the full amount they should have when they settled his terminal illness claim.

## What happened

Mr A bought a life insurance policy from Vitality in mid 2017. This provided him with £300,000 worth of cover in the event of his death. And it provided that this could be paid during his lifetime if he were diagnosed with a terminal illness, as defined by the policy terms.

In 2022, Mr A was diagnosed with a form of motor neurone disease. By August 2023, this had progressed to the point where his clinical nurse specialist provided a Department of Work & Pensions SR1 form. This form is provided to patients by medical professional in circumstances where the patient has a progressive disease and where:

*"as a consequence of that disease, you [the medical professional] would not be surprised if your patient were to die within 12 months."*

On receipt of this form, Mr A contacted Vitality to claim the terminal illness benefit on his policy. He had to complete a claim form and authorise Vitality to obtain his medical records to assess the claim. The records highlighted some issues about which Vitality sought clarification. Mr A's claim was settled in July 2024, when Vitality paid him £300,000, plus £3,866.33 interest for the period between when they had the information they needed to accept the claim and the date of payment.

Mr A wasn't satisfied with this outcome and complained. In their reply, Vitality said they'd been delayed by waiting for information from Mr A's doctor. And they acknowledged they hadn't complied with Mr A's request to correspond with his wife on his behalf. They offered Mr A £300 compensation for this.

Mr A wasn't satisfied with Vitality's response and brought his complaint to our service. He told us he was unhappy that Vitality had accepted his claim in January 2024, when they received a report from his specialist, rather than accepting the SR1 form dated August 2023. He wanted the claim backdated to this date and interest paid at the rate of 8%. He also wanted a refund of premiums he paid between August 2023 and January 2024, and £15,000 compensation for what he felt were unnecessary delays in the claim.

Our investigator reviewed all the information provided by both parties and concluded that Vitality's offer of £300 compensation was fair to recognise what had gone wrong. He noted that Mr A's medical records had highlighted concerns about the information he'd provided to Vitality when he bought the policy – which he said it was reasonable for Vitality to investigate before the claim was settled.

He noted the policy definition required Mr A's consultant's opinion on his condition and prognosis – which was only received in January 2024. And, while he acknowledged Mr A has been stressed by the time it had taken to pay the claim, he was satisfied this was due to

a number of factors and the compensation offered was reasonable to redress those factors which Vitality could control.

I didn't agree with our investigator's view. So I made a provisional decision. That explained that I didn't think Vitality should have accepted Mr A's claim before they had the report from his specialist – which they didn't receive until January 2024. I agreed that Vitality's offer of £300 was fair. And I was satisfied that they'd calculated interest by reference to the Bank of England base rate.

But I didn't think they'd paid enough interest. When asked, Vitality confirmed they'd calculated what they paid from 10 March 2024 – two months after they'd received the specialist's report. I didn't think that was fair. So I provisionally decided they should pay Mr A interest for the period 10 January – 9 March, calculated at the Bank of England rate they'd used. And I said they should pay interest on that sum, calculated at the rate of 8% per annum.

Mr A accepted my provisional decision. Vitality didn't. The matter's now been passed back 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.

Having done that, I'm upholding Mr A's complaint to the same extent as I set out in my provisional decision and which is summarised above.

In their response to my provisional decision, Vitality have said that they calculated interest from 10 March because they didn't consider there to be any meaningful delay until that point. I've thought about this.

Where there's delay in paying a claim, we usually expect an insurer to pay interest on the settlement from the date they should have accepted the claim until the date it's paid. In this case, Mr A raised specific questions about how the interest was calculated. In response, Vitality said:

*"The interest we applied was at the Bank of England rate, from the date of Mr As diagnosis."*

10 January was the date Vitality accepted as the date of diagnosis. So I think it's fair to use it as the date of diagnosis in this context.

### **Putting things right**

I've explained why I think it's fair to use 10 January 2024 as the point from which the claim was accepted. So I don't think Vitality needs to backdate the claim to August 2023. Nor do they need to refund any further premiums. But I do think they need to pay Mr A interest on the settlement for the period 10 January to 9 March 2024. As I think it was reasonable for them to use the Bank of England base rate for their calculation, I think it's fair they use the same rate to calculate interest for this period.

And, once they've calculated that amount, I think they should pay 8% simple interest on it, calculated from 10 January 2024 to the date it's paid to Mr A.

Neither party commented on my provisional decision that Vitality should pay Mr A the £300 compensation they've previously offered him. So I don't think there's any reason for me to change my provisional view about the amount of compensation which should be paid.

## **My final decision**

For the reasons I've explained, I'm upholding Mr A's complaint about Vitality Life Limited and directing Vitality to:

- Pay Mr A interest on his settlement, calculated at the Bank of England base rate applicable at the time (5.25%) for the period 10 January 2024 to 9 March 2024;
- Pay interest on that sum at the rate of 8% per annum for the period 10 January 2024 until they pay Mr A  
If Vitality considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr A how much it's taken off. It should also give Mr A a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.
- Pay Mr A £300 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 20 June 2025.

Helen Stacey  
**Ombudsman**