

The complaint

Mr P complains that Vitality Life Limited declined to provide Earnings Guarantee (“EG”) on his income protection policy.

What happened

Mr P applied for an income protection policy with Vitality on 17 January 2024 through an independent broker. The policy included an option for verifying the policyholder’s income for EG. This would impact how Vitality calculated Mr P’s monthly benefit in the event of a claim.

Vitality accepted Mr P’s application for an income protection policy in February 2024, but with a revised benefit amount and it declined to provide the EG. It said that this was following the assessment of Mr P’s financial information, which showed a reduced income over the last three years.

Vitality then said in April 2024 that Mr P had six months to send evidence of his income, and it would guarantee the income if the financials reflected that it could do so. Mr P sent further evidence of his income, in line with what Vitality had asked. Following this, Vitality offered a policy with a higher benefit amount in May 2024, but it still declined to provide the EG.

Unhappy with Vitality’s position, Mr P raised a complaint. He said Vitality’s advisor said he met the criteria for EG, and the policy terms support this. So, he doesn’t think Vitality declined to provide the EG fairly or reasonably. Mr P says Vitality should have told him much sooner that this may be declined, and Vitality needs to give a clear reason why it was declined. Mr P is unhappy that this has led to a lot of wasted time and effort.

One of our investigators reviewed the complaint. Having done so, she didn’t think Vitality had acted unfairly or unreasonably in the circumstances. So, she didn’t uphold Mr P’s complaint.

Mr P didn’t agree with the investigator’s findings. In short, he made the following key points:

- Vitality hasn’t justified why it declined to provide the EG. And it took too long to explain its reasons for this.
- It wasn’t made clear that fluctuations in earnings could lead to a decline. It’s unrealistic to expect a self-employed individual to have a stable income. And if no self-employed individual can realistically meet the stability requirement, then this aspect of the policy is misleading.
- Vitality confirmed it would accept EG if the following year’s earnings were higher. But even when Mr P provided the evidence to show this, the EG was still declined.
- Vitality didn’t address key concerns Mr P asked about the criteria for approval, which made it impossible to understand what was required to qualify and led to wasted time and effort.

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.

Insurers are entitled to decide what risk they're willing to accept in return of a premium. The policy terms say the following:

"You can ask us to verify your earnings prior to the start of your plan or at any time during the first 6 months your plan starts."

How Vitality would calculate the monthly benefit payable under the policy depended on if the policyholder had verified their earnings. If Mr P did so, the maximum EG he could have applied for was £8,000 per month. However, there's nothing in the policy terms which suggest that Vitality offering the EG will be guaranteed. So, I don't think the policy terms are misleading.

Vitality has shared information about the underwriting process and decision. This is commercially sensitive information which I won't be able to share with Mr P in detail. But I've considered this carefully to decide if Vitality has treated him fairly and reasonably.

Vitality referred Mr P's application for the policy to its underwriting team, and it requested further financial information. Following this, Vitality offered Mr P an income protection policy in February 2024, but it restricted the monthly benefit to £9,449 per month due to a reducing income over the last three years, and Vitality declined to provide the EG.

I can see that Vitality reviewed Mr P's financial information from the previous three years, which is in line with the policy terms for self-employed applicants. These showed that his income decreased every year between 2021 and 2023. And I can see that the decrease between 2021 and 2022 was significant. Vitality has said that it won't offer EG where there has been a large amount of variability in taxable income. So, I think Vitality acted fairly and reasonably when it declined to provide the EG based on the information it had about Mr P's taxable income.

In April 2024, Vitality's advisor forwarded an email from the underwriter who said that P had six months to provide proof of income. Vitality would then use that to guarantee the earnings if the financials reflected that it could do so.

Mr P sent in further financial information to show that his earnings were above what was required for EG for £8,000. Following this, Vitality offered Mr P an income protection policy with a higher monthly benefit amount of £10,773 per month. However, it still declined to provide the EG.

I don't think the email Vitality sent Mr P in April 2024 was a guarantee that the EG would be approved. I think the email makes it clear that this was still subject to reviewing the financial information. I appreciate it would have been frustrating for Mr P, as Vitality ultimately declined to provide the EG for the same reason as it did previously. But as I explained, I don't think the email provided a guarantee that it would be approved.

Mr P raised a complaint with Vitality already in March 2024, but it didn't issue its final response until August 2024. Vitality clearly took too long to respond to the complaint, but Mr P could have brought a complaint to this Service after eight weeks had passed.

Vitality explained in its final response that the decision to decline the EG was based on the decreasing trend in income. And in September 2024 it clarified this further that it wouldn't offer EG where there had been a large amount of variability in taxable income.

I appreciate Mr P is unhappy how long Vitality took to explain its decision, and he still doesn't think it has justified the decision. But having reviewed the information from the underwriter, I'm satisfied Vitality made the decision fairly and reasonably. And as this was an underwriting decision, I don't think Vitality needed to give a more detailed explanation for its decision than it did in February 2024 when it referred to a decreasing income over three years.

Overall, I don't think the delay in Vitality issuing its final response caused Mr P unnecessary distress and inconvenience as it had already given a reason for its decision to decline the EG in February 2024.

Mr P has also complained that Vitality's advisor didn't answer all his emails before he submitted his application. However, I can see that the advisor provided key information about the EG based on the questions Mr P asked. I haven't seen anything to suggest that the advisor guaranteed Vitality would approve the EG. I don't think the advisor specifically needed to explain that this would be declined, as it was clear Mr P needed to apply for it.

Having considered everything, I don't think Vitality treated Mr P unfairly or unreasonably in the circumstances of his complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 6 August 2025.

Renja Anderson
Ombudsman