

The complaint

Mrs J complains Red Sands Insurance Company (Europe) Limited has unfairly declined a claim she's made on her pet insurance policy following treatment for her dog.

What happened

The background to this complaint is well known to the parties and has been documented by our Investigator previously so I'll only provide a brief summary here.

- Mrs J owns a dog – which I'll refer to as "M" – insured under a pet insurance policy underwritten by Red Sands. Mrs J took M to a vet to have some lumps investigated and made a claim on the policy to cover the cost. Red Sands declined the claim under a pre-existing condition exclusion.
- Mrs J complained to Red Sands. It said as M's recent lumps were found to be lipomas and these had been documented previously by the vet, symptoms of the condition had been present before the start of the policy and therefore it had correctly declined the claim due to a pre-existing condition.
- Our Investigator considered the evidence and concluded Red Sands hadn't shown the new lumps were related to or caused by an ongoing condition that had caused the previous lipoma. The Investigator also explained as the policy had already been cancelled, there was no need for her to make findings on Red Sands' retrospective application of the pre-existing condition exclusion to the policy. Red Sands asked for an Ombudsman's 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.

The relevant industry rules and guidance say insurers must deal with claims promptly and fairly, support a policyholder to make a claim, and not unreasonably reject a claim. They should settle claims promptly once settlement terms are agreed.

With insurance claims, the onus is on the policyholder to show a claim is covered under the policy terms. And if an insurer wishes to rely on an exclusion to decline a claim, as Red Sands is doing here, the onus is on it to show the exclusion applies. So, my decision focuses on whether Red Sands has done this.

The exclusion:

Red Sands has relied on the following exclusion to decline the claim:

“Pre-existing conditions aren’t covered in this policy. A condition, injury or illness is pre-existing if M has shown signs or symptoms before you joined [policy provider], or within the first 14 days of your initial policy start date. This also includes any other condition, injury or illness which is connected to that pre-existing condition as determined by a vet”.

Red Sands highlights the vet’s notes confirm previous incidences of M experiencing lumps relevant to this claim before the policy started. These are:

- January 2023 *“History – Two new lumps – one over lateral abdominal muscle sheet ventrally on lhs and over cranial shoulder. FNA show adipose tissue only at the moment but advised to monitor”.*
- July 2023 *“History – Lipoma over left side of thorax under skin against ribs. Smooth soft surface and just fat on slide after FNA. Otherwise clinically stable and no other masses growing. Consultation”.*

And on this basis, it says lipomas were a pre-existing condition.

Our approach and how this applies to Mrs J's complaint

Given what I’ve said above, on the face of it, lipomas seem to be a possible indication of a pre-existing condition on strict interpretation of the policy terms. But our remit is also to consider whether policy terms have been applied fairly in the circumstances of a particular case.

So, in line with our usual approach to this kind of complaint, for me to say it was fair for Red Sands to apply the pre-existing condition exclusion, I would have to be satisfied of two things:

- That the condition being claimed for is the same thing – or directly connected to – an illness or condition that was present before the policy started; and
- At the point when she took out the policy, Mrs J knew there was something wrong with her pet that was likely to need investigation or treatment.

I’ve carefully considered the vet’s notes and have found no persuasive evidence which leads me to conclude there’s an underlying condition which caused the lipomas and neither has Red Sands directed me to evidence which supports that position. Red Sands says dogs which develop one lipoma are predisposed to developing others throughout their lifetime but it hasn’t provided any expert evidence to support this or show it applies in the specific circumstance of this case.

When Mrs J purchased the policy she would only have been aware that M had previous instances of lipoma. I can see no reason why Mrs J would have believed there was an underlying condition causing the lipomas as there’s simply nothing detailed in the vet’s notes to indicate there was. While the notes detail other lumps which M experienced over time, these were for separate and distinct conditions such as suspected sarcoma, for example.

In conclusion, I’m not persuaded Red Sands has shown the condition being claimed for is the same or directly connected to an illness or condition that was present before the policy

started. Or that Mrs J was aware something was wrong with her pet when she took out the policy.

It follows Red Sands can't fairly rely on the pre-existing condition exclusion to decline the claim. I will be directing Red Sands to pay Mrs J's claim subject to the remaining policy terms and conditions.

Mrs J cancelled the policy mid-term and so there will likely be premiums payable for the remainder of the policy year. As I am directing Red Sands to accept the claim meaning Mrs J will have had the benefit provided by the policy, it would be reasonable for Red Sands to deduct the outstanding premiums from the settlement.

I will also be directing Red Sands to pay Mrs J interest at 8% simple per annum on the amount of the settlement from when Mrs J paid the vet until Red Sands settles the claim.

In unfairly declining the claim, Red Sands has caused Mrs J distress and inconvenience. I will also be directing it to pay Mrs J £150 in reflection of this.

Retrospective application of the exclusion

I've explained above why it wasn't fair for Red Sands to rely on the exclusion to decline the claim. As the policy has already been cancelled - as explained previously by our Investigator - there's no need for me to make any findings on whether it was fair for Red Sands to retrospectively apply the exclusion to the policy, as it simply doesn't change the outcome of this complaint.

My final decision

My final decision is that I uphold this complaint and direct Red Sands Insurance Company (Europe) Limited to:

- Accept Mrs J's claim subject to the remaining policy terms and conditions, deducting outstanding premiums for the remainder of the policy term.
- If Mrs J has already paid the vet's fees, then pay interest at 8% simple per annum* on the amount of the settlement from the day Mrs J paid the vet to the day it makes settlement on provision of substantiating evidence from Mrs J.
- Pay Mrs J £150 for the distress and inconvenience it caused her.

Red Sands Insurance Company (Europe) Limited must pay the compensation within 28 days of the date on which we tell it Mrs J accepts my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

*If Red Sands Insurance Company (Europe) Limited considers that it's required by HM Revenue and Customs to deduct income tax from that interest, it should tell Mrs J how much it's taken off. It should also give Mrs J a tax certificate if she asks for one so she can reclaim the tax from HM Revenue and customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 15 July 2025.

Paul Phillips
Ombudsman