DRN-5659124

The complaint

Mr S complains because Phoenix Life Limited hasn't paid his critical illness insurance claim.

What happened

Mr S took out a life and critical illness insurance policy in 2000, which is now provided by Phoenix Life. Over the years, Mr S was sent annual review notices which referred to 'Additional Serious Illness' ('ASI') cover.

Unfortunately, Mr S was diagnosed with an extremely serious and very rare medical condition. He made a critical illness claim, but Phoenix Life said Mr S's medical condition wasn't one which was specifically listed in the policy terms and conditions. Phoenix Life said the phrase 'ASI' was a generic one which was used interchangeably for critical illness cover but that Mr S's policy only paid a benefit on the diagnosis of one of the medical conditions listed in his policy.

Unhappy, Mr S complained to Phoenix Life before bringing the matter to the attention of our Service.

One of our Investigators looked into what had happened and said he didn't think Phoenix Life had acted unfairly or unreasonably by declining Mr S's claim. However, he recommended that Phoenix Life should pay Mr S £500 compensation for the impact of the lack of clarity of the information contained in the annual review notices on him.

Phoenix Life accepted our Investigator's opinion, but Mr S didn't, so the complaint has now been referred to me to make a final decision as the final stage in our process.

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.

Phoenix Life originally objected to our Service considering Mr S's complaint because it was brought to us outside of the time-limits set out under the rules that govern us. Phoenix Life is entitled to do this but has since consented to us looking at the complaint outside of these time-limits. Because of this, I'm satisfied that Mr S's complaint is one which now falls within the jurisdiction of the Financial Ombudsman Service.

When making my final decision, I've taken into account relevant consideration such as the law, as well as industry rules and guidance including but not limited to the Financial Conduct Authority's ('FCA's') 'Insurance; Conduct of Business sourcebook', and the applicable versions of the Association of British Insurers' ('ABI's') 'Statement of Best Practice for Critical Illness Cover' and 'Guide to Minimum Standards for Critical Illness Cover'.

My remit is to make a decision based on the specific circumstances of Mr S's individual complaint. That decision must be independent and impartial to both parties to the complaint.

Wider public interest isn't a relevant consideration under our rules, as our Service wasn't set

up to act on behalf of consumers. The FCA's pure protection market study isn't central to the outcome I'm reaching, as this hasn't been completed yet. And, it wouldn't be fair or reasonable for me to draw any inferences into the reasons why the FCA has launched such a study when reaching my decision about Mr S's complaint.

It's very clear that Mr S has been through a difficult time. I'm sorry to hear about his illness, and I wish to specifically state that I don't dispute the seriousness of this.

However, critical illness insurance policies aren't designed to cover every illness, and it's up to the insurer to decide what is and isn't covered. In line with the ABI's guidance, Phoenix Life has set out a list of the critical illnesses which are covered under the terms and conditions of Mr S's policy. I'm satisfied that the policy terms are clear and unambiguous in stating that Phoenix Life will only pay a claim upon the diagnosis of a listed critical illness.

I've taken into account all the medical evidence which Mr S has provided but it's not up to his doctors to determine what his contract with Phoenix Life covers. The medical condition which Mr S is claiming for isn't a listed one. So, the claim isn't covered under the terms and conditions of his policy, and it wouldn't be fair or reasonable in the circumstances to direct Phoenix Life to pay his claim outside the policy terms, regardless of how similar the condition is to those covered and/or the severity of the listed conditions.

Turning to the use of the phrase 'ASI' set out in Mr S's annual review notices, I note this phrase is undefined. While Phoenix Life has said that 'ASI' and 'critical illness' are standard phrases which are used interchangeably across the industry, I agree that the use of 'ASI' within the annual review notices could be viewed as making that notice unclear and confusing.

However, the annual review notices cannot be read in isolation, and the underlying terms and conditions are clear. I've taken into account the comments which Mr S has provided from underwriters at other insurers and from other third parties, but I don't accept it's reasonable to consider that the use of the phrase 'ASI' fundamentally altered or extended the scope of the terms and conditions of the policy so as to have the effect of providing cover for an unlisted medical condition which isn't otherwise insured.

And, even if I were to accept that Mr S was misled by the use of the phrase 'ASI' within the annual review notices, I'm not satisfied this would have been a consideration of such importance to him that he would have sought cover elsewhere. Furthermore, if Mr S had sought cover elsewhere, I'm satisfied its more likely than not that he wouldn't have been able to obtain insurance for the condition he was eventually diagnosed with. I say this based on the fact that the core cover provided by most, if not all, critical illness insurance policies uses the medical conditions listed in the ABI's codes. I acknowledge that Mr S paid a lot of money for this policy, but I don't think it would be fair or reasonable in the circumstances to require Phoenix Life to refund Mr S the premiums he paid, as Phoenix Life was covering the risk of a valid claim being made.

Phoenix Life has now offered to pay Mr S £500 compensation for the loss of expectation, distress and inconvenience caused by the content of the annual review notices and I'm satisfied this is fair and reasonable in the circumstances. For the avoidance of doubt, this is in addition to the £200 which Phoenix Life previously offered to pay Mr S for a separate complaint issue.

I'm sorry to disappoint Mr S and I was also saddened to hear about his recent family circumstances. I wish Mr S well for the future, but for the reasons I've explained, I won't be directing Phoenix Life to do anything more than what it has already offered to do.

As a final point, our Service has no power to comment on the subject matter of a complaint unless the business involved has first been given the opportunity to consider the matter. Parties cannot 'add-on' new complaint issues and/or evidence to an existing complaint indefinitely. As our investigator has explained, Mr S would need to direct any complaint about Phoenix Life's compliance with specific Consumer Duty principles (if applicable) to Phoenix Life in the first instance before our Service could consider this.

Putting things right

Phoenix Life Limited needs to put things right by paying Mr S £500 compensation for the distress and inconvenience he experienced.

Phoenix Life Limited must pay the compensation within 28 days of the date on which we tell it Mr S 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.

My final decision

I'm upholding Mr S's complaint about Phoenix Life Limited in part and I direct it to put things right in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 14 August 2025.

Leah Nagle
Ombudsman