

The complaint

Mrs M complains that Financial & Legal Insurance Company Ltd did not settle in full a claim on her pet insurance policy.

What happened

After Mrs M's pet needed some treatment from the vet, she made a claim on her policy for the treatment costs. Financial & Legal accepted the claim but didn't agree to pay the full amount. It said Mrs M had not submitted the claim within 48 hours, as required by the policy terms. It wouldn't reject the claim for that reason, but would only pay the limit of £45 for consultation fees and £50 for medication. The total amount covered by the policy was therefore £95 and, as this was less than the £100 excess Mrs M had paid, there was no payment to be made.

Mrs M complained but Financial & Legal didn't change its decision, so she referred the complaint to this Service.

Our investigator asked Financial & Legal to clarify why it had only paid for one consultation when the notes indicated there had been three. Financial & Legal agreed three consultations should be covered, which would amount to £117.50 in total. But it then said Mrs M had not had the treatment from the vet within 12 hours of the problem happening, which was a requirement of the policy, so the claim would be reduced by 50% and this meant the amount payable was still less than the excess.

The investigator initially said the claim had been dealt with fairly, but after reviewing matters further he said Financial & Legal hadn't drawn the policy terms regarding the 50% reduction and the policy limits to Mrs M's attention - for example, in the Insurance Product Information Document (IPID) - and so it wasn't fair to rely on these. He asked Financial & Legal to pay the claim without any deduction (other than the excess) and pay compensation of £100.

Financial & Legal didn't agree and requested an ombudsman's decision. It provided some further comments, including:

- It has not done anything wrong in relation to the IPID and there is no requirement for the limits to be included.
- It does not believe there is anything wrong with having the cover limits set out in the policy terms – this is standard practice, and it is not hiding things away.
- During the online sales process, the relevant limits are highlighted, so the customer is made aware of them before they buy the policy.

I issued a provisional decision saying I was minded to uphold the complaint. I set out my reasons as follows.

Provisional decision

In making my decision I've taken into account relevant law, rules, guidance and standards including the Insurance: Conduct of Business sourcebook (ICOBS) and the Consumer Duty.

Amongst other things, the rules and guidance say:

- Insurers must deal with claims promptly and fairly, and not unreasonably reject a claim. They should settle claims promptly once settlement terms are agreed.
- Insurers have a duty to give consumers the information they need at the right time and in a way they can understand, so they can make good financial decisions, without having key information buried in lengthy terms and conditions. And the information should be clear, fair and not misleading. They should support their customers in making use of their policy without unreasonable barriers.

Although Financial & Legal has offered to settle the claim, it hasn't agreed to pay it in full. So I need to determine whether it's fair to make deductions from the amounts claimed for consultation and medication costs, and to reduce the claim by 50%.

The limits for consultation and medication costs were £45 and £50 respectively. There's no cover for diagnostic fees. These are restrictive and they reduced the claim considerably.

Consumers should have the information they need to understand how the product works, and key information should not simply be included within lengthy terms and conditions. A customer needs to know what they can and can't claim for. It should have been made clear to Mrs M that she could only claim these amounts, and I don't think simply including that within the policy terms would be enough for her to understand she would be limited to these modest amounts. Even if it's not a specific requirement to include these limits in the IPID, good practice would be to set out all the limits clearly – for example in the policy schedule or in a table at the beginning of the policy terms.

However, when she bought the policy, these limits were brought to Mrs M's attention. Financial & Legal has provided screenshots of the sales process, and these show a customer has to read and confirm these limits before completing the purchase. So she would have been made aware of these limits and would have known she was buying a policy that limited her to claiming these amounts.

In these circumstances, I think it was fair to apply the limits. So the amount to be paid should be £117.50 for the consultations and £50 for medication costs, giving at total £167.50.

Financial & Legal then reduced that by 50%, to £83.74, because Mrs M didn't have the treatment within 12 hours of the illness starting. I don't think it's fair to apply this.

The policy terms do say that if the pet is displaying clinical signs of an illness or condition the policyholder must immediately, or within no later than 12 hours, have a vet fully treat and remedy the illness at their own expense, and then claim those costs back.

No insurance policy will cover every risk that may arise, and insurance is always subject to terms and conditions that limit the insurer's liabilities to its policyholders. If the treatment wasn't done within 12 hours then, strictly speaking, that would have been a breach of this condition. But I still need to consider whether it's fair to rely on that term.

Such a short timescale may make it difficult to submit a claim. There will be many situations where it's not practical for someone to have their pet seen and treated within 12 hours. I don't think it's fair to apply such a strict limit. And in any event, it would be unreasonable to reject a claim relying on a strict application of a condition unless the breach caused some prejudice or prevented Financial & Legal from dealing with the claim. That wasn't the case here; there's no persuasive evidence that having the treatment after 12 hours made the condition worse or led to the claim being more expensive. In these circumstances I don't think it would be fair to reduce the claim by 50%.

For these reasons, I think a fair amount would be £167.50. After deducting the excess of £100, that leaves a balance of £67.50 to be paid.

Although Financial & Legal has accepted the claim, it didn't agree to cover all three consultations. And when it later agreed to pay for all three, it then sought to reduce the settlement by 50%. I haven't dealt with the claim reasonably and the way it has been handled has been upsetting for Mrs M. It's fair that she's compensated for the distress and inconvenience caused.

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.

Mrs M has replied to say she has accepted the provisional decision. Financial & Legal has said it has no further comments to add and will await the final decision.

In these circumstances, where there's nothing new for me to consider, there is no reason to change my provisional decision. So it remains my decision that the fair way to resolve the complaint is for Financial & Legal to pay £67.50, together with £100 compensation.

My final decision

My final decision is that I uphold the complaint and direct Financial & Legal Insurance Company Ltd to:

- Pay £67.50 to settle the claim and, if Mrs M has already paid the vets' fees, pay interest on this from the date she paid them to the date of payment at 8% a year simple.*
- Pay compensation of £100 to Mrs M for the distress and inconvenience caused.

*If Financial & Legal Insurance Company Ltd considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs M how much it's taken off. It should also give Mrs M a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 4 August 2025.

Peter Whiteley

Ombudsman