

The complaint

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

What happened

Mr P has represented Ms P throughout the complaint. For ease of reading, any reference to Ms P includes any actions and information provided by Mr P. However, I’ve specifically referred to Mr P where it’s necessary to make the distinction.

Ms 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 Ms P’s monthly benefit in the event of a claim.

Vitality accepted Ms P’s application for an income protection policy in February 2024, but it declined to provide the EG. It said that this was following financial underwriting.

Ms P is unhappy that Vitality declined to provide the EG. Vitality had referred to a reducing income in its offer to Mr P, but Ms P’s salary was stable and rising. So, Ms P didn’t think Vitality had acted fairly and reasonably. Additionally, Ms P said that Vitality’s advisor said she met the criteria for EG, and the policy terms support this. Ms P says Vitality should have told her much sooner that this may be declined, and it needs to give a clear reason for this.

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 Ms P’s complaint.

Ms P didn’t agree with the investigator’s findings. In short, she 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.
- Ms P applied for the EG based on her salary, which was stable and rising. So, Vitality saying the decision was due to a fluctuation in income is not fair or reasonable.
- Vitality didn’t address key concerns Ms 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. 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 Ms P in detail. But I've considered this carefully to decide if Vitality has treated her fairly and reasonably.

Vitality referred Ms P's application for the policy to its underwriting team, and it requested further financial information. Following this, Vitality offered Ms P an income protection policy in February 2024, but it restricted the monthly benefit to £4,655 per month and declined to provide the EG. Vitality explained this was following financial underwriting.

I can see that Vitality reviewed Ms P's financial information from the previous three years, which is in line with the policy terms for self-employed applicants. These showed that there was a significant decrease in Ms P's taxable income between 2021 and 2022. Vitality has said that it won't offer EG where there has been a large amount of variability in taxable income.

Ms P says that only her salary should have been considered for the EG, which was stable and rising in 2022 and 2023. However, I can see that when Ms P submitted her application, she noted her employment status as "self-employed", and she entered her annual income as £144,000. This was significantly higher than her salary only. And when Ms P completed Vitality's supplementary financial questionnaire, she ticked both boxes "employed" and "self-employed".

So, I think Vitality acted fairly and reasonably when it considered Ms P's taxable income when deciding whether to provide the EG, rather than her salary only. And I think it acted fairly and reasonably when it declined to provide the EG based on the information it had about Ms P's taxable income.

Ms 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 Ms 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 Ms P is unhappy how long Vitality took to explain its decision, and she 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 said this was following financial underwriting. Vitality had also referred to a reducing income in its offer to Mr P at the time, and Ms P's taxable income had also reduced.

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

Ms P has also complained that Vitality's advisor didn't answer all the emails before she submitted her application. However, I can see that the advisor provided key information about the EG based on the questions 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 Ms P needed to apply for it.

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

My final decision

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

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

Renja Anderson
Ombudsman