

The complaint

Mr E is unhappy with the service he's received from Legal and General Assurance Society Limited in relation to an income protection claim.

What happened

Mr E successfully claimed on an income protection policy because he was too unwell to work. Mr E complained to Legal and General. He was unhappy with the information he received from them when he planned to return to work in an alternative role and with how the decision to stop paying benefit was communicated to him. He also complained about some of the actions Legal and General took in relation to the claim and felt that, as a vulnerable customer, he hadn't been treated fairly.

In their final response letter Legal and General maintained their decision to stop making payments was fair, and in line with the policy terms. However, they offered £300 compensation as a gesture of goodwill. Unhappy, Mr E complained to the Financial Ombudsman Service.

Our investigator looked into what happened and partly upheld Mr E's complaint. She explained there were some aspects of Mr E's complaint that the Financial Ombudsman Service couldn't consider. Overall, she thought the decision to stop making payments was fair and the policy benefit had been reasonably explained. But she thought this hadn't been communicated to Mr E as well as it could have been. So, she recommended that Legal and General should pay Mr E a further £400 compensation.

Ultimately Legal and General accepted the investigator's recommendation. Mr E didn't and asked an ombudsman to review his complaint. He didn't think Legal and General had fairly calculated the policy benefit as they hadn't used a full 12 month period in their calculations. He said the policy terms were ambiguous and that Legal and General had used inconsistent reasoning. Furthermore, he said that he was worse off financially by returning to work, which wasn't the point of income protection. So, the complaint was referred to me to make a 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 rules and industry guidelines say that Legal and General have a responsibility to handle claims promptly and fairly. And they shouldn't reject a claim unreasonably.

The starting point is the policy terms and conditions. The relevant policy terms say:

The earnings we use for assessment relates to your earnings immediately before your incapacity...

We will base the Income Guarantee on the lower of £1500 per month or your chosen

monthly benefit at the start of your policy even if your earnings at the time of the claim do not support this level of monthly benefit.

The terms in relation to proportionate benefit says:

If you return to gainful employment or gainful self-employment on a lower level of earnings than you received immediately before your incapacity, directly as a result of your incapacity, the proportionate monthly benefit will be payable.

The proportionate benefit will be equivalent to the reduction in your earnings compared to your earnings in the 12 months before incapacity.

Incapacity and Incapacitated are defined as:

Your inability, caused by illness or injury, to carry out your gainful employment or self-employment. If you are a houseperson your inability to carry out three of the Activities of Daily Living.

Earnings is defined as:

Your earnings in respect of your gainful employment or your gainful self-employment.

Employed earnings is defined as:

- Pre-tax earnings for PAYE assessment purposes earned in the 12 months before incapacity as detailed on your previous P60 or previous 12 months' payslips.
- P11D benefits provided that they are not paid during any period of incapacity.
- Dividends from a private company (if applicable) where you are in gainful employment and they:
 - Represent your share in the net trading profit, and
 - Are not paid during any period of incapacity.

I'm partly upholding Mr E's complaint but I think £400 compensation, in addition to the £300 offered, is fair and reasonable. I say that because:

- I'm not persuaded that the policy terms are ambiguous in the way Mr E has suggested. I think they explain sufficiently clearly how the proportionate benefit is calculated.
- I'm satisfied the proportionate benefit was calculated in line with the policy terms. Unfortunately, that meant that no benefit was due as there was no loss of income as a result of the change in role. So, I'm not persuaded Legal and General acted unreasonably in the circumstances.
- I think Legal and General have given a reasonable explanation as to why they calculated the benefit figure the way they did. That included information from Mr E's claim form and other documentation he supplied. I appreciate that Mr E feels this was incorrect and doesn't reflect the policy terms. However, based on the evidence available to me, I think Legal and General have demonstrated that their calculation was fair and reasonable in the circumstances.

- Legal and General engaged with Mr E's queries about his proposed return to work. They explained they'd need to calculate the benefit due and offered Mr E the opportunity to discuss it further. I've not seen any persuasive evidence they failed to properly explain the terms or applied pressure to Mr E to return to work.
- Income protection policies are designed to replace lost income when a policyholder is unable to work. In this case, Mr E's policy was designed to cover loss of income if he couldn't work in his own occupation. Once Mr E was re-employed Mr E experienced no loss of income and was carrying out a different role to his own occupation. So, whilst I empathise with his points about the incentive to return to work, I don't think this means Legal and General acted unreasonably when stopping cover.
- I appreciate that Mr E has provided a medical report about his fitness to work, dated August 2024. However, this hasn't changed my thoughts about the overall outcome of the complaint. Mr E had retrained and was looking to work in a very different role. The policy insured his 'own occupation' rather than any occupation. So, I don't think the contents of the report means that Legal and General acted unfairly when terminating the claim.
- I do accept that Legal and General could have delivered the message about the termination of benefit more sensitively and with greater consideration to Mr E's vulnerabilities. I think it would have been reasonable to consider this would have been disappointing news and would have a foreseeable impact on him. Mr E received the news whilst he was at work and it triggered a panic attack which caused him to then leave the role.
- I think Legal and General reasonably requested medical information and information from Mr E's employer. Overall, I think they reasonably relied on documents Mr E had supplied to them to request this information.

Putting things right

Legal and General offered Mr E £300 compensation as a gesture of goodwill. And, following our investigator's recommendation they've agreed to pay a further £400 compensation.

Given Mr E's history I think it would have been reasonable to give greater consideration to how best to communicate this message. Mr E received this news at work, at his new role, and it caused a panic attack. Mr E has also explained that that this impacted his mental health and ability to carry on with his role. So, I accept it caused him considerable distress and inconvenience that had both a short-term impact and an impact that lasted over weeks and months. I think a total of £700 compensation fairly reflects the overall distress and inconvenience caused to Mr E by Legal and General communicating their decision to stop payments.

My final decision

I'm partly upholding this complaint and direct Legal and General Assurance Society Limited 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 E to accept or reject my decision before 12 August 2025.

Anna Wilshaw
Ombudsman

