

The complaint

Miss T complains that Zurich Assurance Ltd unfairly terminated a claim she had made under her employer's group income protection scheme.

What happened

Mrs F is represented by her sister, Miss T in bringing her complaint.

The background is known to both parties, so I have only included a summary here. Mrs F was a member of her employer's group income protection policy. The policy was designed to pay monthly benefit of 70% of her salary should she be incapacitated due to an illness or injury preventing her from completing the material and substantial duties of her own occupation, throughout a deferred period of 26 weeks and beyond.

Mrs F sadly suffers from several chronic, incurable conditions including a type of Ehlers-Danlos Syndrome, Postural Orthostatic Tachycardia Syndrome, Crohn's disease and Mast Cell Activation Syndrome. She also has a number of other health concerns, encompassing chronic pain, gynaecological and mental health issues.

Mrs F worked three days per week. After suffering with combined physical and mental health symptoms including chest wall pain further to her gynaecological and gastric issues, Mrs F went off sick in February 2024. She thereafter underwent gynaecological surgery and had extensive further testing which led to her additional diagnoses. After the deferred period, a claim was paid under the policy from 22 August 2024 to Mrs F, via her employer.

In March 2025, the employer began consultations with its staff regarding redundancies. In a letter dated 26 March 2025, it told Mrs F that it would wind down part of its business under which she was employed. At that time, Zurich told Mrs F's employer that it could not consider paying her income protection benefit directly should the consultation end in her redundancy.

In May 2025, Mrs F enquired directly with Zurich whether it was possible to pay the income protection benefit directly to her, because the employer was now likely to make her redundant. Zurich wasn't able to confirm if it could pay Mrs F directly. It did, however, undergo a review with its claims team to decide whether an offer could be made to Mrs F.

On 11 June 2025, Zurich emailed the employer with a settlement offer, based on two years' future income protection benefit payable to Mrs F. That offer was outside of the policy terms and conditions. Zurich also told Mrs F's employer that it wasn't possible to confirm that the claim would remain valid until the end of the term on the policy and it did not consider the circumstances satisfactory to pay Mrs F directly once she ceased to be a member of the scheme upon redundancy. However, Mrs F was not made aware of the communication at that time.

Mrs F underwent a call with Zurich on 25 June 2025, which she says reassured her the claim would carry on and be reviewed in 2026. Later that day, Mrs F was made aware of the settlement offer by her employer, which came as a shock to her whilst she was hospitalised.

Miss T therefore asked for Mrs F to have a longer period to consider Zurich's offer – and Zurich agreed to extend this to 11 July 2025.

Mrs F's employment terminated on 30 June 2025 by way of redundancy. As of 1 July 2025, Zurich closed the income protection claim.

Mrs F complained to this service. She said the policy terms meant she could claim 70% of her salary as income protection benefit if she remained off sick up to age 65 (more than thirty years away), and Zurich had given her no understanding of whether the offer was fair; it had simply told her that it was based on two further years of benefit. The settlement offer was not accepted by the employer before the extended deadline.

In July 2025, Zurich rejected the complaint. It said income protection benefit was only payable under the policy whilst the member remained employed. It said it could have taken the approach to cease cover on the claim from 1 July 2025 and paid no further benefit at all. However, it had made a settlement offer – which had to be accepted by the employer – on behalf of Mrs F.

Since its original offer wasn't accepted, Zurich said it was prepared to provide the same offer to the employer for Mrs F's benefit once her complaint was concluded at the Financial Ombudsman Service. It said it had taken a fair approach in respect of section 6.5 of the employer's policy, which gave it discretion over whether a claim could continue after membership of the scheme had ended because the employee had left their employment.

One of our investigators then considered the complaint but she didn't think Zurich had acted unfairly in the circumstances. She said she did not agree that the policy terms expressly allowed for continuation of Mrs F's claim, despite the employment ending. And she noted that Zurich was not bound to continue paying the claim, though it had made an offer to Mrs F which went beyond its contractual requirements between itself and the employer.

Mrs F wanted the complaint to be passed to an ombudsman. Miss T thereafter provided detailed written submissions in the form of an executive summary including a complaint chronology. I have read these submissions in full. Miss T set out, in summary:

- Zurich has been unfair, discriminatory and acted contrary to regulatory rules set out by the Financial Conduct Authority ('FCA') in terms of treating customers fairly.
- The Financial Ombudsman Service must consider all of the relevant law, regulations and principles when reaching a decision about the complaint.
- It should have dealt with Mrs F directly as a member of the policy, not the employer.
- By ending the income protection benefit at the date her employment terminated, Zurich forced Mrs F into financial crisis.
- She was only given a matter of a few working days before her redundancy to decide if she wanted to accept Zurich's lump sum offer.
- She still remains of the view that section 7 of the policy wording applies to her situation, not section 6.5 that Zurich has relied upon.
- In terms of the offer it made, Zurich unfairly factored in her young age when deciding if she would make a recovery sufficient to return to work before the natural end of her career – and this was contrary to the provisions of the Equality Act 2010.
- The offer is also grossly undervalued – it only represents some 6% of the actual worth of her claim up to age 65.
- Her employer ceased business on 30 June 2025, and case law supports that ending work the way it did amounts to a clear and substantial cessation.

- In making an offer of two years' payments, Zurich has relied on unpublished, internal guidance – this is not part of the contract of insurance and case law says that it cannot rely on it.
- The terms of the insurance contract are unfair, and contrary to relevant law.
- Mrs F believes a total claim to age 65 (exceeding £500,000) should be paid to her, along with compensation for distress and associated financial losses as well as receiving a finding that she has been subject to age discrimination.
- The investigator's view did not look into her health or the harm caused by Zurich.
- The investigator needed to look beyond Zurich's narrative and provide a fair, transparent outcome that is consistent with the FCA's regulatory framework.

Miss T also provided a detailed explanation of the personal impact on Mrs F, by providing a chronology of her worsening health following Zurich's cancellation of her ongoing claim.

Our investigator wouldn't change her view on the complaint. She recognised why Mrs F and Miss T felt how they did about Zurich's decision. But she didn't agree that it had acted unfairly or discriminatorily towards Mrs F when terminating the income protection benefit.

Miss T said she and Mrs F still disagreed. Miss T made notable further comments, including an addendum in which she noted:

- They have provided solid documentary evidence which the investigator has failed to engage with.
- They feel the assessment has ignored or glossed over the information they've provided.
- This isn't a usual redundancy scenario, but the administration of a business.
- Section 7 of the policy expressly covers scenarios where a policyholder business is wound up. And that wording requires Zurich to pay ongoing benefit directly to the policy member.
- They believe section 7 of the policy terms doesn't require cancellation by either party.
- Mrs F's GP report of March 2025 confirmed multiple chronic, degenerative conditions, poor prognosis and incapacity lasting for years.
- Zurich provided no medical evidence to challenge that report.
- To cite Mrs F's age as a direct obstruction to continuing the benefit is age discrimination, and even if this service cannot make specific findings of breaches of the Equality Act 2010, it could decide that Zurich was unfair and unreasonable.
- Zurich used internal guidelines and approaches to decide what was satisfactory, and this lack of criteria is contrary to fair customer handling.
- The employer and Zurich caused delays with the settlement offer, at a time when Mrs F was particularly unwell in hospital.
- The primary interest of Zurich and the employer was about the cost of the premium, not the interests of the scheme members.
- The medical documentation shows strong evidence of long-term incapacity and this was ignored.
- Mrs F cannot work because of her disabilities and has lost the safety net of Zurich's cover, and this impact has not been properly assessed.
- This service must give the complaint the full and proper scrutiny it requires.
- The primary resolution is either reinstatement of the ongoing claim, or requiring Zurich to pay a far larger settlement sum.
- If Zurich says the policy hasn't been cancelled then it could treat section 7 as self-executing.
- Alternatively, if section 7 of the policy terms doesn't apply, then section 12.9 and section 6.5 must apply – either way this means Mrs F's benefit ought to continue.

Zurich confirmed that it had nothing else to add. The complaint has now been passed to me.

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.

I've fully reviewed all the information before me, including the representations Miss T has made on Mrs F's behalf after our investigator's assessment. I thank Miss T and Mrs F for the considerable effort they have spent in providing those representations. I realise they wanted this service to assess every argument they have made; however, I won't be able to do so.

In reaching my findings, I've focused on what I consider to be the central issues and I've set out the background to the complaint using my own words. Our function is to offer informal dispute resolution. As such, I don't need to comment on every argument to be able to reach what I think is the right outcome in the circumstances, and so, I will not be replying point by point to the executive summary provided by Miss T. Our rules allow me to take this approach; it reflects the nature of our service, as a free alternative to the courts.

Having reviewed this complaint carefully, I agree with the outcome reached by our investigator – that means though I realise my decision will be disappointing for Mrs F, I won't be asking Zurich to do anything further to resolve the complaint as I believe it has behaved fairly in the circumstances.

It's important for me to point out that we do not act in the capacity of a regulator. That remit falls to the FCA, where it may look at wider issues governing how businesses conduct their operations or exercise what may be commercial judgement on the provision of a particular service.

I also note Miss T has referred to the FCA's Treating Customers Fairly Principles including those set out at Principle 12, the Consumer Duty. I've carefully considered the detail of those obligations but for the reasons I'll go on to explain, I haven't seen objective evidence that Zurich has behaved unfairly in the circumstances.

I realise Mrs F feels very strongly that what has gone on is unfair. And I also recognise she and Miss T want this service to examine the documentary evidence in relation to the ongoing payment of Mrs F's claim. However, I don't agree that is what is required here.

My role isn't to substitute my view for that of a business but instead, to determine if a business has acted fairly in all the circumstances of a complaint. And I will take into account laws, regulations, best practice and industry guidance when considering what I find to be fair and reasonable – though that does not require a forensic undertaking of case law provided by the parties, given this service is not a court.

So, I haven't undertaken my own assessment on the medical evidence to decide whether the benefit could continue, but rather, I have examined if Zurich behaved fairly when determining its requirements as set out under the contract of insurance with Mrs F's employer.

Mrs F's former employer is the policyholder, not Mrs F. So, it was correct to deal with the employer as its customer. Mrs F was a member of the policy, not the policy owner. And the contract of insurance was between the employer and Zurich. It is important that I make that distinction as many of the submissions made by Miss T related to contractual fairness – but Mrs F was not party to the insurance contract when it was taken out by her employer.

I recognise that Miss T submits section 7 of the policy terms is relevant to Mrs F's position, but I disagree. Section 7 includes wording which permits Zurich to pay income benefit directly to a claimant, in the event that the policyholder ceases to carry on business.

The full wording sets out that:

"7. Cancelling the policy

You can cancel the policy at any time, provided you give us advance notice in writing. We can cancel the policy, cover or benefits or change the terms of the policy, cover or benefits where:

- You cease to carry on business, or an order is made or a resolution is passed for you to be wound up; no additional benefits will be payable **after the policy is cancelled** [my emphasis] and any Income Benefit payable will be paid direct to the member".*

Firstly, that wording relies on benefit being payable of itself— and section 6 of the policy wording applies to Mrs F relating to whether benefit is payable when the employment has ended. I'll address this further in my findings below. And secondly, Zurich did not cancel the policy because Mrs F's employer wound up its business - as Miss T has submitted. The policy has not been terminated by either party; Zurich has confirmed that it remains in force.

Though the employer may be wound up in the future and the policy thereafter cancelled does not mean that section 7 applies to Mrs F now – it does not. Her membership of the scheme ended at the date her employment terminated. I am therefore satisfied that section 7 of the policy does not apply in Mrs F's case, since the policy hasn't been cancelled.

Miss T has submitted that section 12 should also apply to Mrs F's circumstances. That section of the policy wording is about making claims. And section 12.9 says *"If the policy ends and you have paid all premiums due up to the date it ends, we'll continue to pay existing claims.... In the event that the employer stops trading, we'll consider paying claims on the terms agreed under this policy direct to the Member, provided the Member completes the necessary documentation"*.

On the same basis as section 7, section 12.9 doesn't apply to Mrs F. The policy has not ended. The material factor which gave rise to her cover ending is the termination of her employment on 30 June 2025. Section 3 of the policy wording says:

"3. When membership ends

Membership will end on the earliest date on which any the following events occur:

- The Member is no longer employed by you or any participating employer we have agreed to include in the policy (unless we continue to pay the benefit — see 6.5)."*

And section 6 says:

"6. How long we pay the Income Benefit

We'll pay Income Benefit until the first of the following events:

The Member:

- *returns to work or no longer satisfies the terms and conditions*
- *no longer satisfies the definition of Incapacity shown in your policy schedule*
- *reaches the Terminating Age shown in the policy schedule*
- ***leaves service except where section 6.5 applies [my emphasis]***
- *does any kind of employment without our agreement*
- *dies.*

6.5 Members who leave service during a claim

*A Member who is incapacitated and leaves service after the end of the Deferred Period will not be a Member and benefits will not continue to be paid to them unless you tell us in advance **and we consider the circumstances to be satisfactory [my emphasis]**.*

We'll decide whether we'll agree to pay the Income Benefit direct to the Member after the Deferred Period and will consider factors including whether:

- *the adjustments required by the Equality Act 2010 have been evaluated and implemented by you, where the Member is disabled, for the purposes of the Act*
- ***we have agreed that the claim is, and is likely to remain, valid [my emphasis]."***

Mrs F's membership of the scheme clearly ended after her employment terminated – and in accordance with the terms and conditions above, she left her employer's service. So, the outstanding dispute is about Zurich's assessment of ongoing satisfactory circumstances in relation to the claim, as required by section 6.5, notably the second bullet point I have highlighted above.

Zurich has decided to terminate the benefit by means of offering a further two years of claim payment, since it does not believe it has seen clear evidence of a valid claim beyond that term. And though Mrs F and Miss T have sought payment under the policy up to when Mrs F reaches age 65 – the termination age for the scheme – Zurich is not under any obligation to make that payment.

Section 6.5 allows Zurich to determine the satisfactory position relating to ongoing payment of a claim direct to a member where it would have otherwise ceased on termination of their employment. And a valid claim requires Mrs F to satisfy the policy's definition of incapacity.

I've thought carefully about everything Mrs F and Miss T have said. Zurich has concluded that it hasn't seen enough medical evidence to ascertain that Mrs F will likely be continuously incapacitated beyond a further two years. And I have seen no reason to determine that its decision was unfair in the evidenced circumstances.

Whilst it isn't my role to make any findings in relation to relevant discrimination law, I recognise that a fair consideration of how long the claim could conceivably be paid for would invariably require a review of the age of the claimant and the termination age set out in the policy terms. Miss T has referenced this herself, by calculating a maximum payment for Mrs F that goes up to age 65. I do not agree with Miss T where she submits that Zurich's approach in noting Mrs F's age in relation to her prospects of improvement was discriminatory or that meant she'd been assessed unfairly or contrary to the policy terms.

At the time the employment ended, Mrs F had been off work through illness for some 16

months, and Zurich had sight of supporting medical evidence from Mrs F's GP and an Occupational Health assessment. The GP report of March 2025 showed Mrs F was awaiting several appointments with consultants for her different conditions.

Zurich has explained that whilst the most recent evidence showed Mrs F was unlikely to return to work in the short term, neither the GP nor Occupational Health ruled out a return altogether – nor was it said that she couldn't work for the medium or long term. It also noted how Mrs F continued to be under the care of a number of consultants for treatment. Zurich explained it factored in that the claim had only been in payment since August 2024, with Mrs F aged in her early thirties. With this in mind, a return to work in the future on a part time basis with reasonable adjustments for her combined disabilities could not be ruled out.

I find Zurich's approach to be fair. That Mrs F has a number of conditions which are incurable is not an absolute barrier to her returning to a job akin to her part-time position in the future. And it remains to be seen how all of the conditions will be treated beyond the short to medium term. The evidence Zurich had received up to the date of her employment ending related to her current and short term position; and whilst for some conditions, the impact was long term or permanent, there was no objective reasoning to suggest that Mrs F might never be able to perform her occupation again.

On the information it has seen, Zurich has determined a period for which it believes an income protection claim may likely remain valid – of a further two years – and it has agreed to pay this sum to Mrs F's employer for her benefit through the means of a written settlement agreement. It has done this in line with the policy terms and conditions at section 6.5. I therefore do not agree that it has acted unfairly. It is for Mrs F's employer to accept the offer on her behalf, and Mrs F remains free to liaise with Zurich and her former employer about the offer, should she now wish to accept it.

My final decision

I do not uphold this complaint or make any award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 23 October 2025.

Jo Storey
Ombudsman