

The complaint

Mr B is unhappy that Liverpool Victoria Financial Services Limited (LV) haven't paid a benefit when he claimed on his income protection policy.

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here. Instead, I'll focus on giving my reasons for my 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 LV have a responsibility to handle claims promptly and fairly.

LV accepts that Mr B had a valid claim under the policy. The issue for me to decide is whether they fairly concluded that no benefit was payable as Mr B was receiving an amount each month which was taken from retained profit made by his business.

The policy terms and conditions explain how the benefit will be calculated. It includes the following:

Then we will deduct the monthly equivalent before tax of any of the following payments that the life assured receives or is entitled to receive, which relate to the period where benefit is paid:

- The benefit from any other sickness or accident insurance on the life assured's life, including any mortgage payment protection – health policies
- 60% of ill health or retirement benefits from any source
- 60% of any continuing income excluding income earned before the start of incapacity.

Income is defined as:

The life assured's taxable earned income. This is the gross income the life assured earns less any expenses which are allowable against income tax.

I'm sorry to read about the circumstances which led to Mr B making a claim. However, I'm not upholding Mr B's complaint as I think LV reasonably concluded no benefit was due. I say that because:

- I'm satisfied LV reasonably calculated that there was no benefit available to Mr B and, in doing so, reasonably relied on the policy terms.

- I think it was fair and reasonable for LV to conclude that the payments Mr B was receiving from retained profits were a form of income. The payments were received in the form of PAYE salary during the time Mr B was incapacitated. I appreciate Mr B feels they were a form of savings, but I still think LV's conclusions were reasonable in the circumstances.
- I don't agree that the wording of the policy is ambiguous in the way Mr B has suggested. I think the policy makes it adequately clear that continuing income of various forms will be considered when assessing a claim.
- Mr B argues that the nature of the cover, given his profession, frustrates the purpose of it. He highlighted that LV were aware he was operating a limited company at the time the policy was sold and that LV's approach penalises policyholders in his position. Mr B took out the policy via an independent financial advisor. So, if he is concerned the policy wasn't suitable for his circumstances when it was sold, he'll need to complain to the business which sold the policy to him. That's not something LV is responsible for in the circumstances of this case.

My final decision

I'm not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 28 October 2025.

Anna Wilshaw
Ombudsman