DRN-5820444

The complaint

Mr and Mrs S complain that an appointed representative (AR) of Mortgage Advice Bureau Limited (MAB) unreasonably delayed their application for personal protection insurance, including critical illness cover. This meant that Mr S didn't have critical illness cover in place when he needed to make a claim.

What happened

The background to this complaint is well-known to both parties. So I've simply set out a summary of what I believe to be the main events.

MAB's AR had arranged a mortgage and life cover for Mr and Mrs S in 2021. In 2022, Mr and Mrs S looked into the possibility of extending their life cover and arranging critical illness insurance cover. However, Mr and Mrs S didn't progress this further until March 2023, when the AR emailed them potential cover options, including critical illness cover and key person options.

Subsequently, in June 2023, Mr and Mrs S told the AR that they wanted to go ahead with an application. They provided their bank account details and GP's details in July 2023.

Unfortunately, in August 2023, Mr S underwent tests which later showed he was suffering from a very serious medical condition. So Mrs S got in touch with the AR to check that cover was in place.

The AR ultimately told Mr and Mrs S that they didn't have a policy in place. When Mr and Mrs S complained about the AR's handling of things, MAB said that an application hadn't been put in place by the AR. It said Mr and Mrs S had contributed to much of the delay in setting-up cover. And it said that given the timeframes involved, even if the AR had applied for critical illness cover, it's likely any application would have been subject to medical checks which would still have been underway at the time of Mr S' illness. So MAB concluded that Mr S wouldn't have been able to make a critical illness claim in any event.

Mr and Mrs S were very unhappy with MAB's position and they asked us to look into their complaint. In brief, they felt that the AR had caused unreasonable delays in submitting a critical illness cover application for them. They didn't think any delays on their part were material to the complaint. And they said the AR had led them to believe that an application had been made to an insurer. They wanted both extended life and critical illness cover to be put in place and to be able to retrospectively claim against the critical illness cover.

Our investigator didn't think MAB needed to take any action. She felt there'd been delays in Mr and Mrs S moving the application along. She didn't think the AR had sent them any paperwork which indicated that cover was already in place. And she felt that given a potential insurer would likely have required Mr and Mrs S' medical records ahead of agreeing to offer them cover, it was unlikely that there'd have been enough time to set up policies ahead of Mr S needing to claim.

Mr and Mrs S disagreed and so the complaint was passed to me to decide.

I issued a provisional decision on 19 August 2025, which explained the reasons why I thought MAB should pay Mr and Mrs S £300 compensation. I said:

'In making my decision, I've taken into account relevant considerations, such as regulatory rules and principles and the available evidence.

First, I'd like to say how sorry I was to hear about Mr S' diagnosis. It's clear that this has been a very worrying and upsetting time for Mr and Mrs S and their family. I'd also like to reassure Mr and Mrs S that while I've summarised the background to this complaint and their detailed submissions to us, I've carefully considered all they've said and sent us. In this decision though, I haven't commented on each point they've raised and nor do our rules require me to. Instead, I've focused on what I think are the key issues.

Unfortunately, there is limited evidence available to demonstrate exactly what happened between Mr and Mrs S and the AR and exactly what Mr and Mrs S were told. MAB has confirmed that there are no file notes available from the AR and nor are there any call recordings so I can't listen to what was discussed. The contemporaneous evidence is limited to Mr and Mrs S' recollections; a log of messages between Mrs S and the AR on a popular messaging platform; an email the AR sent Mrs S setting out potential cover options, which includes follow-up emails and an email from Mr S to the AR on 20 June 2023. And I have a statement from the AR which was drafted after Mr and Mrs S had made their complaint. So I've looked very carefully at the evidence I do have available to decide what I think is most likely to have happened.

It's clear that Mr and Mrs S did contribute to the delays in the AR being in a position to move things along and I think this needs to be taken into account when considering the complaint as a whole. The messages between Mrs S and the AR show that in September 2022, she asked to look into increasing Mr S' life cover. The AR suggested a call. However, Mrs S didn't get back in touch with the AR again until late February 2023. Following the call between Mrs S and the AR, the AR sent an email dated 7 March 2023. This set out some options which were available to Mr and Mrs S. The email included the option of taking out £100,000 of critical illness cover through an upgraded personal policy or taking out a key person policy through Mr S' company to provide the same type of cover.

The emails show that Mrs S didn't go ahead with any applications at this point and the AR chased her up in mid-May 2023. In mid-June 2023, Mrs S got back in touch with the AR to say she wanted to proceed. I can see that a few days later, Mr S went through the medical questions with the AR. On 20 June 2023, Mr S emailed the AR and confirmed he was 'happy to proceed', having read the AR's terms of business, privacy notice and 'promise to you' documents.

Subsequently, around a month later, the AR asked for Mr S' GP's details 'for the life insurance application'. They also asked Mrs S for Mr S' bank details 'assuming all gets approved…for the direct debit.' Mrs S provided this information and on 24 July 2023, Mrs S asked when the cover would start. The AR responded:

'We don't have a start date yet as we need to be accepted by the insurer first. I will submit the account details so they can move the application forwards and will keep you posted.'

It seems to me that but for the delays in Mr and Mrs S responding to the AR, it's possible life and critical illness or key person cover could have been set-up more quickly. I'm also mindful that the AR didn't send Mr and Mrs S any policy documentation which would indicate that cover had been arranged or was in place. As Mr and Mrs S had previously taken out life cover, I think it's likely they'd have been aware of the relevant policy paperwork which is generally sent by life insurers once a policy has been arranged – such as offers of cover;

policy schedules and the relevant terms and conditions.

The AR indicated that the reason an application wasn't made in June or July 2023 was because they were researching the market. I note that it seems the AR was providing Mr and Mrs S with insurance advice, which means they needed to ensure that advice was suitable for Mr and Mrs S. Given the time that had passed between the AR's email of 7 March 2023 and late June 2023, I appreciate there may have been differences in the prices insurers were prepared to offer and in the most suitable cover for Mr and Mrs S. So it's possible the AR was researching the market in order to find the most suitable cover for Mr and Mrs S' identified needs.

With that said, there was a period between 20 June and 17 July 2023 - following Mr S' email to the AR - where it appears nothing happened. I've seen no evidence that the AR was carrying out research into suitable cover at this point – although I accept they may have been. I do think this was potentially an unreasonable period of delay on the AR's part.

Nonetheless, even if I accept that the AR ought reasonably to have submitted the relevant application in late June or by early July 2023, I don't think I could fairly or reasonably find it's most likely that critical illness or key person cover would have been in place by mid-August 2023. That's because, in my experience, protection insurers will often require a potential policyholder's medical records or a targeted report from their GP before agreeing to offer cover. I haven't seen persuasive evidence that any potential insurer would have had the time to receive an application, obtain and assess any medical evidence, make an underwriting decision and set out the terms on which it was prepared to offer cover, within a broadly six-week period.

And generally, once a potential customer has been referred for tests or investigations ahead of application or during the application process, an insurer will postpone making an underwriting decision. This means that even if an application had been made and was in progress, I think that following Mr S' referral for investigations in mid-August 2023, any insurer is most likely to have declined to offer cover at that point.

So I don't think I could fairly or reasonably conclude that but for the delays on the AR's part, critical illness or key person cover would have been in place which would've accordingly paid out upon Mr S' diagnosis. This means that I don't think I could reasonably tell MAB to pay Mr S compensation to the value of a critical illness claim.

However, I do think the messages the AR sent Mrs S did clearly suggest that an application had been made. As I've set out above, the messages referred to 'the life insurance application' and stated that there was no start date yet because the application needed to be accepted by the insurer first. There was no indication to Mrs S that the AR was researching cover options or that they hadn't yet made an application on Mr and Mrs S' behalf. I think the AR ought reasonably to have told Mr and Mrs S what was going on and what the next steps were in response to Mrs S' direct question. Instead, based on the answer Mrs S received, I think it was entirely reasonable for her and Mr S to have understood that an application had been made and was under consideration by a potential insurer.

It seems to me that the AR mishandled Mr and Mrs S' expectations at this point. And that therefore, when they learned that no application had been made and as such, no claim could be made, they suffered a real loss of expectation at an already very worrying time for them. Given the testing Mr S was undergoing and his subsequent diagnosis, I think the AR's failure to properly manage their expectations and give them accurate information about the actual progress of their planned application caused them material trouble and upset.

In my view, this additional upset could have been avoided had the AR given Mr and Mrs S

accurate information in response to Mrs S' question and had they properly explained next steps. Given the upset I think this error would've caused, on top of the inevitable upset caused by Mr S' investigations and subsequent diagnosis, I think it's appropriate that MAB should pay Mr and Mrs S compensation to reflect this particular failing on its AR's part. I currently think that an award of £300 is a fair, reasonable and proportionate award to reflect the likely impact of the AR's failure to provide clear information and manage Mr and Mrs S' expectations on them. So I plan to direct MAB to pay Mr and Mrs S £300.'

I asked both parties to send me any further evidence or comments they wanted me to consider.

Neither party accepted my provisional findings.

MAB's response

MAB felt I hadn't considered the following points:

- At no point in 2022 or 2023 did the AR make any formal recommendation to Mr and Mrs S and there's no evidence that the AR suggested any cover was in place.
- No key policy documentation was issued to Mr and Mrs S.
- Mrs S acknowledged causing lengthy delays in the process. And Mr S only committed one brief call and responded once to the Terms of Business – no further time was allocated by him to this exercise.
- Mrs S specifically initiated contact regarding life cover, rather than critical illness cover.
- There may have been one message from the AR which was poorly worded, but MAB didn't believe this was sufficient grounds for me to uphold the complaint or for Mr and Mrs S to have believed the policy was active.

Mr and Mrs S' response

Mr and Mrs S provided a very detailed response to my provisional decision, along with additional evidence. I've summarised their submissions below:

- They accepted that a life cover application may have been less likely to succeed at the time but that their complaint specifically relates to key person cover, which should have been put in place.
- On 18 June 2023, Mrs S had given the AR a clear instruction to proceed with an application for £100,000 key person cover and £1,000,000 life cover. Mr S subsequently had a call with the AR and on 20 June 2023, confirmed he was happy to proceed.
- Based on what the AR said, Mr and Mrs S had had every reason to believe an application had already been submitted. I'd referred to Mr and Mrs S not receiving any policy documentation – however, they lead busy lives and had expected the AR to manage the process
- The AR had committed a number of regulatory breaches, in terms of record keeping, amongst other things. They had also subsequently provided misleading information. Mr and Mrs S therefore felt I should place little to no weight on the AR's submissions.
- My provisional decision underplayed the key delay in this case which was the delay after June 2023 in the AR's failure to promptly submit an application.
- An independent adviser (who wishes to remain anonymous) provided a statement that said - based on the exact medical details which were disclosed in June 2023 - it was very likely that an underwriter would've accepted Mr S' key person application immediately or at the least, conditionally. Mrs S had also been able to secure cover

very quickly. On balance then, they felt the evidence showed that but for the AR's delays, cover would've been in place at the time of Mr S' diagnosis.
- I had failed to consider that even if medical evidence had been required; industry practice was to put conditional cover in place.
- Had the AR acted as they ought to have done, Mr and Mrs S would likely have had the benefit of protection in place ahead of Mr S' diagnosis. As such, they felt they had suffered severe ongoing consequences, not just financial harm, but also physical and psychological harm and prolonged financial hardship. They've also lost future insurability. As such, £300 compensation is manifestly disproportionate.
- Instead, Mr and Mrs S seek the following remedy:

    - Payment of £100,000 equal to the payout they would have received from a Keyman policy, together with interest of 8% simple on the award:
    - An additional award of compensation for distress and inconvenience.

- If I were to maintain my provisional finding, it would set out a troubling precedent, which would undermine consumer protection and confidence in this service.

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.

Having done so, my final decision is the same as my provisional decision and for broadly the same reasons.

First, I'd again like to reassure both parties that while I've summarised their detailed further submissions to us, I've read and considered all they've said and sent us. I'd also reiterate that while both parties have made additional points, our rules don't require me to address each and every point they've raised. That's in line with our role to act as a quick and informal alternative to the courts. So again, I've focused on what I believe to be the key issues.

As I set out in my provisional decision, it's clear that in 2022, Mrs S asked the AR to look into increasing Mr S' life cover. The AR was responsive to this and I can see from the limited documentation that is available that they chased up Mrs S on a number of occasions. I think it's fair to say that Mr and Mrs S didn't really engage in the process until mid-June 2023. Therefore, I don't think it's reasonable to limit my consideration of this complaint only to what happened *after* Mr S sent the AR his signed acceptance of their Terms of Business on 20 June 2023.

That's because it seems to me that if Mr and Mrs S had responded to the AR's queries much sooner than they did, the AR would have been in a place to carry out a market search and put in policy applications significantly earlier. If they'd done so, it's entirely possible and potentially, most likely, that Mr S would've had critical illness or key person cover in place when he was unfortunately diagnosed with cancer. So while I accept Mr and Mrs S couldn't have foreseen that any delay in them responding to the AR could result in them not having cover when they needed it, I do think they bear some responsibility for the lack of policy cover.

I acknowledge that on 20 June 2023, Mr and Mrs S confirmed to MAB's AR that they were happy to proceed with the AR's recommendation. With that said, I haven't seen any evidence of quotes which were produced after March 2023. It isn't clear with which insurers the AR intended to apply for cover or even whether Mr S intended to apply for personal critical illness cover or the key person cover the AR had recommended. It's also possible that critical illness cover could have been added as a benefit of an extended life cover

application which would've likely meant one application. I'd add that I haven't seen a 'reasons why' letter or other documentation which post-dates any discussion in June 2023, showing the terms and policies Mr and Mrs S wanted to apply for.

And while Mr and Mrs S say they expected the AR to manage the process, it's still the case that following the set-up of personal protection cover or corporate protection plans, an insurer would generally provide the policyholder with policy documents setting out the terms of the contract. I'm mindful Mr and Mrs S had previously held protection plans, so I'd have reasonably expected them to query why this information hadn't been received if they'd believed insurance cover had been put in place.

Mr and Mrs S have provided an anonymous statement from a financial adviser. This states that based on the answers Mr S gave the adviser about his health, if he'd applied for keyman cover, it's almost certain that the application would have been accepted the same day. They said they'd asked a pre underwriting question to an insurer who'd confirmed this. I've considered this point very carefully. However, I don't think it's sufficient to persuade me that but for the AR's delays, Mr S would've had critical illness or key person cover in place.

I say that because the statement doesn't make clear which underwriter suggested that keyperson cover could have been put in place immediately. It's been issued over two years after the events in question and it refers only to key person cover, when it's possible Mr and Mrs S would have applied for life and critical illness cover. MAB's submissions (which do have evidential value, in my view,) indicate that medical records would have been required before an insurer accepted cover. And in my experience, insurers do often require medical evidence before they will agree to offer a policy. So I'm still persuaded that an insurer is likely to have required Mr S' medical records ahead of agreeing to insure him.

On that basis, I still don't think I can fairly or reasonably find that but for any delay in the AR submitting Mr and Mrs S' insurance applications, Mr S would most likely have had insurance cover in place at the time he received a diagnosis. Nor have I seen persuasive evidence that conditional cover would've been agreed – especially given that Mr S' investigations would likely have fallen during any conditional period agreed. This would likely have caused an insurer to postpone cover. Therefore, I'm not satisfied that I could fairly or reasonably direct MAB to pay Mr and Mrs S compensation to the value of a successful key person claim.

Neither party has agreed with my award of compensation. MAB doesn't feel compensation is due for a one-off mistake. I disagree. Firstly, I don't think the AR made a 'one-off' mistake. I've explained above why I think referral to 'the insurer' and the 'need for the applications to be accepted' didn't properly manage Mr and Mrs S' expectations. I still think this led them to believe that the AR had applied for policies on their behalf.

It's clear too that Mr and Mrs S don't think my proposed award goes far enough. I appreciate that the impact of not having insurance cover in place has been very upsetting for Mr and Mrs S and they've suffered financial hardship as a result. I'm also sorry to hear about the physical impact of the matter on Mr S. But, as I've said, I don't find that I can fairly hold the AR responsible for the fact that they didn't have cover in place. So, in my view, £300 remains a fair and proportionate award to reflect the additional upset the mismanagement of their expectations by the AR caused Mr and Mrs S. I'd also add that our awards aren't intended to fine or punish the businesses cover and nor do our decisions create precedent.

Despite my natural sympathy with Mr and Mrs S' position, I'm directing MAB to pay them £300 compensation.

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that I partly uphold this complaint. I direct Mortgage Advice Bureau Limited to pay Mr and Mrs S £300 compensation.

Mortgage Advice Bureau Limited must pay the compensation within 28 days of the date on which we tell it Mr and Mrs S accept my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% simple a year.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 22 October 2025.

Lisa Barham
Ombudsman