DRN-5889433

The complaint

Mr D is unhappy with the way in which ST. JAMES'S PLACE UK PLC ('SJP') handled a claim he made on his income replacement policy.

What happened

Mr D needed to make a claim on his income replacement policy. He complained about a number of issues associated with the claim to SJP including the calculation of the benefit, delays and discrepancies in information provided by SJP.

SJP said, in summary, they'd applied the policy terms correctly and assessed the claim fairly. So, they didn't uphold the complaint. Mr D complained to the Financial Ombudsman Service.

Our investigator looked into what happened and didn't uphold Mr D's complaint. She was satisfied SJP had acted fairly, and in line with the policy terms. She also didn't identify any unreasonable delays or unreasonable activity during the claims process.

Mr D didn't agree and asked an ombudsman to review the complaint. In summary, he argues that the claim hasn't been fairly settled, particularly bearing in mind the policy terms. Nor did he think SJP had treated him fairly in the circumstances. So, the complain 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.

At the outset I acknowledge that I've summarised this complaint in far less detail than Mr D has, and in my own words. I won't respond to every single point made. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here.

The rules that govern our service allow me to do this as we are an informal dispute resolution service. If there's something I've not mentioned, it isn't because I've overlooked it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to fulfil my statutory remit.

I'm very sorry to read about the circumstances which gave rise to Mr D's claim on the policy. I have a lot of empathy for what he's said about his diagnosis and the impact on his health and personal circumstances.

The policy terms and conditions

The policy terms and conditions explain that the policy benefit covers loss of earnings. 'Earnings' is defined as meaning:

the average monthly earned income of the Life Assured and in the 12 months prior to the Deferred Period which precedes the Benefit Period is calculated as follows:

(a) If the Life Assured is an employed person, Earnings from his/her employment will be the gross monthly earnings as shown on the Certificate of Pay provided by his/her employer (currently known as a "P60") plus any retirement pension.

(b) If the Life Assured is an employed person who also receives some of his/her remuneration by way of employee benefits and/or dividends from their employer (i.e. they are shareholders), Earnings may also include the gross monthly Earnings as shown on the Certificate of Employee Benefits provided by his/her employer (currently known as a "P11D") or the gross monthly Earnings as shown on their dividend statements provided: (i) P11D benefits may only be included provided they cease during the period of Incapacity; and (ii) dividend payments may only be included provided they cease during the period of Incapacity and we receive independent confirmation from the employer's accountant that payment of dividends is part of the Life Assured's remuneration.

(c) If the Life Assured is engaged as a sole trader or a partner in any trade, profession or vocation, Earnings from that trade, profession or vocation will be his/her monthly personal earnings as assessed for Income Tax after deduction of allowable business expenses and, for any period for which a Notice of Assessment has been agreed with the Inland Revenue, plus any retirement pension, and will be taken as the total monthly amount chargeable to tax, as shown on the Inland Revenue Agreed Notice of Assessment.

(d) If a calculation of Earnings is required for a period for which the employer has not provided a Certificate of Pay or for which there is no agreed Notice of Assessment, then we will calculate the Earnings by making such adjustment as we reasonably consider appropriate to the figures shown on the most recent Certificate of Pay or Agreed Notice of Assessment available to us.

'Eligible Earnings' is defined as meaning:

at the end of a Deferred Period, 65% of average monthly Earnings, up to a maximum of £3,750 per month and 33 1⁄3% of average monthly Earnings above this amount. We will reassess the Life Assured's Eligible Earnings on each anniversary of the Commencement Date during a Benefit Period or between linked periods of Incapacity to take account of changes in the Index (up to a maximum of 15% per annum).

'Maximum Income Replacement Benefit' is defined as meaning:

the Eligible Earnings less the total of the monthly equivalent of: (a) any State Incapacity Benefits, to which the Life Assured is entitled from the Department of Social Security or other branch or agency of the government; (b) any income benefits to which, in our reasonable opinion, the Life Assured is entitled to receive from any other insurance against Incapacity caused by accident or illness; or (c) any continuing salary, fees, wages or commissions or any early retirement pension resulting from any office or employment or any trade, profession or vocation.

Have SJP treated Mr D fairly when handling the claim?

The relevant rules and industry guidelines say that SJP has a responsibility to handle claims promptly and fairly. And they shouldn't reject a claim unreasonably.

I'm not upholding Mr D's complaint because:

- I'm satisfied that SJP has calculated the policy benefit due in line with the policy terms and conditions. That includes the periods of time Mr D was able to work, but to a limited extent. I'm satisfied by the explanation and rationale SJP has given to Mr D about how the benefit has been calculated.

- I can appreciate why Mr D felt the process of making a claim was challenging. However, I think that SJP reasonably asked for financial and other information to validate the claim. I'm not persuaded SJP asked for information which was unreasonable and I think what they asked Mr D to provide was typical of the information insurers would usually ask for in such circumstances.

- Mr D didn't decide to pursue a claim until 2014, which was a number of years after he got in touch with SJP to discuss a potential claim. The circumstances of the claim were not straightforward, and I'm satisfied that SJP progressed the claim reasonably in all the circumstances. As I've outlined above that includes asking for relevant information in support of the claim, such as information about Mr D's financial position.

- I think SJP's offers in relation to the refund of the premiums and the increase in benefit are fair and reasonable in the circumstances. I'm not persuaded by Mr D's representations that SJP have not acted reasonably and treated him unfairly. When SJP decided to increase the policy benefit this was something that impacted all policyholders and it was at their commercial discretion to make the further benefit available. And I think they communicated this decision to Mr D reasonably, and applied the policy benefit within a reasonable timescale (bearing in mind that multiple claimants are most likely to have been impacted).

- As our investigator explained complaints about complaint handling are not a regulated activity. I can't consider Mr D's complaint points in relation to how his complaint was handled in the circumstances of this case.

My final decision

I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 26 November 2025.

Anna Wilshaw
Ombudsman