

The complaint

This complaint is made by a small business, which I'll refer to hereafter as 'H'. H is represented in bringing this complaint by an independent insurance broker.

H says that Legal and General Assurance Society ('L&G') Limited has dealt unreasonably with the ongoing operation of its Group Income Protection policy by providing misleading premium calculations, resulting in L&G alleging it owes backdated premiums.

To resolve the complaint, H wants L&G to waive any alleged premiums and bring its account up to date.

What happened

The policy was inceptioned in 1991 and renewed every October until 2024. The policy provided income protection benefit of 50% of earnings for partners of H, should any of those partners be incapacitated due to an illness or injury preventing them from completing the material and substantial duties of any suited occupation, throughout a deferred period of 26 weeks and beyond.

Alongside the Group Income Protection Policy, H also had three other L&G protection policies; this comprised a life assurance policy for partners of H (which is the subject of a separate complaint at this service) alongside income protection and life assurance policies for its employees.

The chronology for the history of the policy administration across H's account with L&G is extensive and incredibly complex. To recount it here would negate the requirement for this service to provide informal, expeditious dispute resolution to a complaint. On that basis, I am setting out a broad summary of the history of the complaint and I'm doing so using my own words; I don't intend to repeat the chronology here, though I thank the current broker and L&G for their efforts in setting out what has gone on for our understanding. Notably, the significant complaint history is known to both parties and the respective brokers, though there is disagreement in later years as to what is owing and why.

In summary, over the course of several accounting periods (15 October to 14 October annually) dating back to approximately 2017, there were issues with calculations for the policy premiums both at renewal and more broadly with inconsistent accounting and allocation of premiums across the four accounts.

Direct debits for the two partner policies were originally set up but later ceased, after L&G had tried to collect nine direct debits on one occasion in 2022 which failed, as the combined debit exceeded £51,000. Thereafter, ad-hoc premium payments were paid from H by BACS.

From January 2024, H used a different insurance broker to undertake administration of the policies. The changeover of brokers became a trigger for an investigation of premium payments. Thereafter, a series of emails and meetings took place between L&G, the broker and H.

In March 2024, the broker complained on H's behalf. It said H had originally been told it owed £19,566 to L&G in underpaid premiums, then the amount was amended to £8,191 upon the broker having queried matters. Despite this, L&G had also said the premium was £10,187 and also £3,942 after amendments to unallocated funds. And, though H had made a BACS payment of £7,725 in November 2020, L&G's receipt only showed a payment of £5,285. The broker explained that it had no confidence that L&G was able to match an account summary to what has actually been received, nor could it trust what information L&G was trying to supply, given its longstanding history of wrong data and figures. The broker said it believed L&G should clear any alleged outstanding premiums and start afresh for the partner policies.

A further aspect of complaint was also lodged regarding a claim paid out on the policy in June 2023, which H contended was calculated was less than the average three years' average salary given in the policy wording. However, the broker later said H wished to rescind that part of the complaint.

In May 2024, L&G upheld the complaint. It said it had made a series of mistakes dating back to 2017, including wrongly telling the broker it had discovered an unallocated £16,000 of payments, when it hadn't. To that end, it paid H £500 to account for the upset it had caused due to the series of errors and ongoing miscommunications about that debt.

However, L&G remained of the view that H owed it combined arrears of premium payments across the two partner policies, which had been owing in some capacity since August 2022. For the income protection policy, L&G asserted that the arrears were £20,144.

In August 2024, the complaint was lodged at this service. One of our investigators reviewed the complaint and he agreed that it ought to succeed. He noted L&G had rightly paid H £500 compensation (in respect of the two complaints about the partner policies) for the numerous errors it accepted it had made.

In respect of the alleged outstanding premium which L&G maintained was owed by H, the investigator said that there had appeared to be little communication from L&G about how and when these payments became due. And he hadn't seen any clear evidence that the premiums were calculated with accurate information or in line with relevant underwriting criteria for each period. Overall, the investigator felt that L&G hadn't been able to demonstrate that it could fairly ask H to pay the payment it had calculated. He therefore believed that L&G should cancel the arrears.

L&G disagreed. It said it had tried to be as transparent as it could in respect of pricing for the policies, but it needed to protect commercially sensitive data. It also didn't think that the same approach had to necessarily apply to both complaints. Overall, it didn't believe the challenge to the premium pricing was reasonable. L&G finally noted that H ought to pay the appropriate premiums for all of the cover it required, which was why it explained to H in September 2024 that it would cease cover for the partner policies effective 30 September 2024 if the arrears were not paid.

H had no further comments to make via the broker. The complaint (and the associated complaint about the partner life assurance policy) 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.

There are two separate but associated complaints at this service for both the partner policies, both of which have been referred to me. Though these decisions will include much of the same wording, they are each individual; this complaint relates only to the group income protection policy.

In reaching my conclusions, I've focused solely on what I consider are the key issues. Our rules allow me to take this approach; it simply reflects the informal nature of our service as a free alternative to the courts, and no discourtesy is intended by it. If there's something I haven't mentioned, it isn't because I've ignored it. It's since I don't need to comment on each individual argument to be able to reach what I consider is the right outcome in the circumstances.

Having reviewed this complaint carefully, I agree with the overall conclusion reached by our investigator that a fair and reasonable outcome to this complaint would not be to require H to repay the arrears set out by L&G. On the evidence before me, I have not seen any reasonable basis upon which it would be appropriate to ask H to make a further payment in these particular circumstances. I'll summarise my reasons for reaching that view below.

I will set out briefly below some key events which I believe are central to my overall findings:

- There is a vast volume of conflicting evidence in respect of the premium calculations from both parties, primarily L&G. I note that it is not this service's role to undertake any forensic assessment of the calculations of the premiums – even if this were possible. Furthermore, some of the calculations I have seen across the many years of correspondence amalgamate the premiums together – at times for the partner policies, and other times across all four accounts.
- It seems that there is little dispute across the years 2018 to 2019 from L&G about the payments for this policy (at which time it set out the annual premiums were unchanged at a little over £18,000 per annum). However, L&G accepted in its final response letter that it made mistakes with adjustment reconciliations in 2017 leading to an incorrect invoice being produced. This was further to a £1,797.48 credit to be carried forward from 2014 which was previously missed.
- Thereafter, issues occurred from 2019 onwards whereby L&G made administrative errors across the accounts, which led to 'overstating' of invoices.
- In 2020, L&G told the former broker that the life policy had £4,202 of arrears which H paid by BACS. L&G also now accepts that in 2022, H received a large sum as a refund as a result of the sweep up accounts from the previous year. However, aside from some brief correspondence with the former broker in 2022 where it was set out that some £13,000 of arrears had arisen, L&G did not make any active effort to explain the balance to H or set out any calculation as to why it had accrued. It did, however, attempt to collect six direct debits using the bank details it otherwise held for H in December 2022 using the income protection policy reference number – though only one proceeded.
- The broker attempted to establish arrears with L&G in early 2023. However, L&G sent over schedules to H which contained many inconsistencies with calculations. It said for the income protection policy that over £28,000 of arrears had accrued – which exceeded the premiums due for the years since the previous reconciliation. It also provided two different account closing statements for the year to October 2022 with completely different balances. After attempting to reconcile the figures itself, H told L&G in February 2023 that it felt the income protection policy didn't have any

arrears and the life policy did have arrears, albeit a different figure than what was being suggested by L&G.

- In June 2023, L&G settled a claim under the partner income protection policy, which H says wouldn't have happened in the event of significant arrears.
- In February 2024, the broker was engaged in active correspondence with the relevant departments at L&G – whereby at this time it was alleged a combined debt of approximately £65,000 was owing across the two partner accounts. However, after a series of communications with an L&G consultant, it said that approximately £16,000 had been discovered unallocated in H's accounts. L&G said *“with the amounts on [income protection policy], I found this credit when going through our finance screens. I believe the back and forth agreeing accounts allowed this amount to be tied up within the screens and is only visible when I had picked them apart. The 16k amount is over 2/3 years so this wasn't a full amount which hadn't been allocated out.”* To that end, the arrears were reduced to £3,942 for the income protection partner policy and £21,179 for the life assurance partner policy.
- Later that month, the arrears were amended to £8,191 and £25,234. By April 2024, the broker set out how it had held a meeting with L&G and *“it was confirmed by [L&G's technical team] within this meeting the figures supplied by L&G were 100% correct even though we expressed our concern as [H] has historically been supplied with constant inaccurate data. It has since transpired that the figures are in fact incorrect, and we still cannot agree the figures. In this meeting, it was agreed that any new money that is received is applied to any outstanding debt, this was also confirmed again in a subsequent meeting with [L&G] on 19th April. However, from reviewing the accounts supplied, it is clear this is not the case as money was showing as being outstanding (for example 2018) but when money was received in 2020 this was not applied to 2018 but for 2019 instead which goes against the information confirmed”.*
- By May 2024, L&G's technical team alleged the arrears were a combined £51,433 after it explained that the investigation it had undertaken into unallocated premiums back in February 2024 was also incorrect.
- In September 2024, the cover for both partner policies ended after L&G gave H notice of termination.

I do not find L&G to have acted unfairly in respect of issuing notice to terminate the policies. The terms of the income protection policy wording say:

“If you do not pay all premiums due under this policy by the due date. or within a period thereafter that we allow, we reserve the right by giving you at least 14 days' written notice to end the insurance under this policy on expiry of such period of notice. All outstanding premiums due to the end date shall become payable immediately.

If you do not pay a premium which is due under this policy during an accounting period, then we will not have any liability to pay benefit with respect to any insured member who becomes a disabled member during that accounting period. “

Though there was a dispute on quantum, L&G reasonably believed that some premiums were outstanding. I cannot therefore say that it acted contrary to the terms above by issuing due notice to end this policy and the other partner policy. And I believe it made H reasonably

aware of that by noting in correspondence with the broker that *“whilst we completely understand that we have played a part in debt accrued, we would need some written commitment from [H] with reference to settling the outstanding premium”*.

That being said, I find it clear from the evidence I've seen that L&G has failed to properly establish any reasonable basis of the veracity of the arrears calculations. These calculations have varied across the relevant policy years – they were not properly ascertained or followed up with H; and when it attempted to reconcile the figures following involvement of the new broker, the figures changed notably on several occasions. Additionally, as our investigator rightly noted, L&G has not been able to provide information to establish in any clear detail how it calculated the cost of the premiums. Whilst I accept it would not wish to share commercially sensitive information, this service is able to review that information from one party alone in order to retain that confidentiality. However, despite prompting, L&G has failed to explain how it calculated the premiums across the years in question in order to equate those sums with the alleged premium arrears.

Putting things right

As I outlined earlier in my findings, it is not this service's role to undertake premium calculations or forensic accounting. And since I have not seen any clear, objective evidence to show why H owed the premiums L&G has contended, I agree that it would not be fair or reasonable to require me to direct H to repay L&G's calculated premium shortfall without any established basis for that repayment.

Finally, I should note that I have considered the £500 compensation that L&G paid H – half of which covers this complaint and half for the linked life assurance complaint. What this service does is consider if a business has treated a complainant unfairly because of its actions or inactions. And if it has done so, we then go on to consider what ought to be done to put the mistake(s) right. As well as putting right any financial losses in a complaint (though there are none in this circumstance), this service will also consider the emotional or practical impact of any errors on a complainant.

Overall, I believe that an award of £250 would be within the range of appropriate compensation for the impact of administrative errors of this nature – if it could be awarded. However, these awards cannot be made to third parties (i.e., the broker) or any complainant that isn't an individual - such as limited liability partnerships. It is unclear if an award could have been made in any event had it not already been paid by L&G. However, I am pleased to note that aspect of the complaint was resolved before the complaint was referred to this service, and I do not need to make any further recommendation here.

In summary, though I uphold this complaint, I do not agree any award is due to H since the matter of compensation for upset was resolved before the complaint was pursued at this service. Nor do I consider it appropriate to make any direction to H to repay arrears which aren't properly founded.

My final decision

I uphold this complaint insofar as I agree that Legal and General Assurance Society Limited has made a series of continued errors over many years in ascertaining the premiums payable for H's Group Income Protection Policy.

For the reasons I have outlined above, I am not persuaded that I should direct H to repay any alleged premium arrears, as those arrears have not been properly ascertained. Nor do I make any other award.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 12 January 2026.

Jo Storey
Ombudsman