

The complaint

Mrs H complains that Aviva Life & Pensions UK Limited unfairly declined to continue to pay her benefit for a claim she made on a group income protection insurance policy.

What happened

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

Mrs H was insured under her employer's group income protection insurance policy. She made an incapacity claim on the contract, which was accepted and paid. Aviva kept the claim under review. After Mrs H underwent an independent medical assessment in September 2024, Aviva concluded that she no longer met the policy definition of incapacity. It stopped paying benefit from 31 December 2024 onwards.

Unhappy with Aviva's decision, Mrs H brought a complaint about Aviva's decision to our service. While the complaint was with us, Mrs H entered into a settlement agreement with her employer to end her employment on ill-health grounds.

Our investigator considered all of the evidence and didn't think it had been fair for Aviva to terminate Mrs H's claim. He recommended that Aviva should reinstate the claim, pay backdated benefit, together with interest, along with £500 compensation.

Aviva and Mrs H accepted the investigator's recommendation and the complaint was closed. Aviva paid Mrs H backdated benefit between 31 December 2024 and the date her employment ended. It said no further benefit was due after that date, as Mrs H was no longer covered by the group scheme.

Mrs H felt Aviva had acted unfairly. In brief, she considered it was Aviva's unreasonable original decision to terminate benefit which had led to her needing to enter into a settlement agreement to end her employment. That's because of the impact the matter had had on her financial situation. Aviva paid Mrs H a further £500 compensation but it maintained it was reasonably entitled to end benefit from the date Mrs H left her employment.

Therefore, Mrs H asked us to look into a new complaint about Aviva's decision to end benefit rather than to pay her benefit directly.

Our investigator didn't think Mrs H's complaint should be upheld. He felt the terms of the settlement agreement made it clear that Mrs H had agreed to waive any claims under the

group income protection insurance policy. He noted Mrs H had taken legal advice before entering into the settlement. And ultimately, he considered it had been Mrs H's decision to end her employment before our service had considered the merits of her first complaint.

Mrs H disagreed and so the complaint's been passed to me to decide.

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, whilst I'm very sorry to disappoint Mrs H, I don't think it was unfair for Aviva to terminate benefit from the date her employment ended and I'll explain why.

First, I was sorry to hear about Mrs H's ill-health and the impact her illness has had on her and her family. I'd also like to reassure Mrs H that while I've summarised the background to this complaint and her detailed submissions to us, I've carefully considered all she's said and sent us. In this decision though, I haven't commented on every point she's raised and our rules don't require me to. Instead, I've focused on what I think are the key issues.

I must also make it clear that this decision will only consider whether Aviva acted fairly in terminating Mrs H's claim at the point she left her job with her employment. I won't be looking at anything that was considered or commented on when our investigator assessed Mrs H's initial complaint concerning whether it was fair for Aviva to terminate benefit in December 2024.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And that they mustn't turn down claims unreasonably. I've taken those rules into account, amongst other relevant considerations, such as regulatory principles, the policy terms and the available evidence, to decide whether I think Aviva treated Mrs H fairly.

I've first considered the policy terms and conditions, as these form the basis of the contract between Mrs H's employer and Aviva. Mrs H considers that Aviva should pay her monthly benefit directly, so I've looked carefully at the policy wording to decide whether I think there was any contractual obligation for Aviva to do so.

Page four of the policy sets out a section relating to time limits on the payment of benefits. It says:

'We will pay benefit for incapacity until:

- *the member voluntarily leaves service; or ...*
- *the member is no longer eligible for benefit or ceases to be a member.'*

Page seven of the policy explains what happens when a member is removed from the policyholder's (in this case, Mrs H's employer) payroll. It states:

'Where the policyholder removes an employee from its payroll, we will at our reasonable discretion consider paying benefit to the former employee where:

- *the policyholder has requested us to do so, and*
- *the policyholder has been eligible to receive benefit for that employee under this policy for a continuous period of more than six months before that employee was removed from the payroll.'*

In my view, the policy terms make it clear that Aviva will only pay benefit while a claimant remains an insured member of the employer's scheme. In this case, there's no dispute that Mrs H left her employer's role in April 2025. So I think it was reasonably entitled to terminate benefit at that point. And while there is provision for Aviva to pay benefit directly to a former member who's no longer employed by the policyholder, I think it's clear that this only applies in certain circumstances – including where the policyholder has asked it to do so. And importantly, the payment of benefit in these circumstances is at Aviva's discretion. There's no evidence here that Mrs H's former employer asked Aviva to pay benefit directly to Mrs H. And even if it had, as I've said, continued payment of benefit would have been at Aviva's discretion. This means I don't think it was unfair for Aviva to conclude that there was no obligation – contractual or otherwise - for it to pay Mrs H benefit directly after her employment ended.

Next, I've thought about whether I think there are fair and reasonable grounds for me to tell Aviva to step away from a strict interpretation of the contract and pay Mrs H benefit directly. And I don't think there are, as I'll go on to explore. Like the investigator, I've carefully considered the terms of the settlement agreement Mrs H entered into with her employer, as well as emails between Mrs H and her former employer. I understand that Mrs H felt she had no option but to end her employment on ill-health grounds due to her financial position, as she'd be able to access her pension. I also appreciate she didn't know what the outcome of our consideration of her initial complaint would be.

I can see that in an email dated mid-April 2025, Mrs H's former employer specifically referred to the fact that our service could uphold her complaint and direct Aviva to reinstate benefits. The email clearly stated that that remedy could be compromised if Mrs H was no longer employed. So I think she was put on notice that the payment of future benefit could be affected if she decided to leave her employment before we assessed her complaint.

I'm also mindful that Mrs H sought legal advice before signing the settlement agreement and from ACAS, too. In my view, the agreement clearly precludes an income protection claim. I'm satisfied Mrs H had an opportunity to explore the potential impact of signing the settlement agreement on any future payment of benefit. It wouldn't be fair or reasonable for me to hold Aviva responsible if Mrs H didn't discuss this issue with her legal representative. And Aviva's told us that Mrs H didn't contact it to check the potential status of her cover if she went ahead with voluntarily ending her employment. It was open to her to do so.

In the circumstances, I don't think it would be fair or reasonable for me to hold Aviva responsible for Mrs H's decision to enter into a settlement agreement and end her employment. As her employment ended, so did her cover under the policy. This means that despite my natural sympathy with Mrs H's position, I don't find that Aviva acted unfairly when it terminated benefit with effect from the date she left employment because she was no longer covered by the contract. So I'm not directing Aviva to pay anything more.

My final decision

For the reasons I've given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 8 December 2025.

Lisa Barham
Ombudsman