

The complaint

Mr H is unhappy with the way British Friendly Society Limited handled a claim made under his income protection policy ('the policy').

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here. I'll focus on giving the 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.

British Friendly has a regulatory obligation to handle insurance claims fairly and promptly. And not to unreasonably decline a claim.

Mr H feels strongly that British Friendly acted unfairly here. I'm sorry to disappoint him but for reasons set out below, I'm satisfied it has acted fairly and reasonably by concluding that no benefit is payable under the policy (based on the evidence available at the time it made that decision and issued its final response).

- Subject to the remaining terms of the policy, it provides a monthly benefit while the insured is too ill or injured to work. The maximum benefit is 65% of the insured's yearly income before tax (if earning up to £60,000 per year).
- Under the policy terms, income is defined as: "the amount you were earning in the 12 months before you became too ill or injured to work". It includes other income or sick pay, but doesn't include any income from savings or investments. Relevant to this case, that includes personal income from employment and from company dividends. The policy goes on to explain the evidence of income required to assess claims.
- Mr H was signed off work by his GP from early February 2025 to mid-March 2025. From what I've seen, I'm satisfied that British Friendly fairly concluded that he returned to work by the end of March 2025. The policy has a deferred period, meaning that it doesn't pay out for the first four weeks of absence.
- Mr H received his usual monthly salary for March 2025. I'm satisfied that based on the information British Friendly received from Mr H / his accountant, it's fairly calculated that the income Mr H received for the few weeks immediately after the end of the deferred period (when he still wasn't able to work), was more than 65% of the weekly income he'd received, on average, in the 12 months before he became too ill to work. So, there was no loss of income to replace.
- When deciding this case, I've taken into account that Mr H says the income he received in March 2025 was taken from his business account. But I've seen an email from Mr H's accountant dated mid-March 2025 which says: "at the moment, we do not suggest that Mr H...repay any salary already made, however, we suggested that salary payment is to be stopped from April 2025, as the cash flow starts to dry out

due to his inability of carrying out any work". However, Mr H returned to work by the start of April 2025.

- There's another email from Mr H's accountant dated the end of March 2025 which says: "upon checking the business's accounts, we may have to ask [Mr H] to repay some of the wages paid before March 25, as we do not believe there is sufficient profit to support the wages during the time he was off sick".
- British Friendly did say that if the accountant confirmed that Mr H had to repay salary received from March 2025, Mr H may be due a benefit under the policy. But I've seen no compelling evidence that British Friendly received evidence that the salary had been repaid by Mr H.
- In its final response, British Friendly also said that if the relevant company accounts, now available, confirmed that Mr H did receive a dividend and if this meant that Mr H's income for the 12 months before he was absent from work through illness was higher than its original calculations, it would reassess whether a benefit was payable. I think that's fair and reasonable and in line with what I'd reasonably expect.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 7 May 2026.

David Curtis-Johnson
Ombudsman