

The complaint

Mr E is unhappy with how Exeter Friendly Society Limited (Exeter) handled a settlement of a claim on his income protection policy.

What happened

In 2021 Mr E took out an income protection policy through an independent financial advisor (IFA). The policy was underwritten by Exeter.

In September 2024 he was unable to work, so he made a claim on his policy. Exeter reviewed the claim and accepted cover and paid a benefit.

Following receipt of Mr E's bank statements Exeter said they showed he received an income from his company during his absence, so under the terms of the policy this needed to be deducted from the claim settlement amount they had issued.

Exeter said they had overpaid Mr E by £1,727.72 and requested he returned this amount to them.

Mr E said the money he'd been paid by his company during his absence wasn't an income. He explained it was funds that were left in his business account from jobs he had carried out prior to getting injured. So he didn't think it was fair for these funds to be taken into account.

Mr E complained and the matter was referred to this service. Our investigator looked at what happened and said she didn't think Exeter had acted unfairly.

Mr E disagreed. In summary he said:

- The policy was taken out against his company, and the policy premiums were taken from his company account.
- When he was sold the policy he made the advisor aware that he operated as a limited company and that's what he needed to be insured as
- No dividends were taken in October, November or December

The case has now been passed 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.

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

Mr E's policy terms explain his policy provides a benefit of up to 60% of his personal taxable income earned in the 12 months immediately before he stopped work due to illness or injury, less any continuing income or dividends from his business.

The policy document is clear, that other forms of income, which includes any continuing income and dividends from a business will be deducted from the maximum benefit amount that can be received.

I've reviewed Mr E's bank statements from November and December 2024 which was during the claim period. This evidence shows he received a standing order salary payment of £1,047 on the same day of each month. This was a recurring payment, set up as a 'salary,' so I think it was reasonable for Exeter to view this as continuing income and deduct it from his settlement amount.

Mr E has explained that the salary he received was from profits he earned prior to him being unable to work. But I don't think that makes a difference here. As the salary payments were made to his account during the claim period, I think it was fair for Exeter to take them into account.

I note Mr E's argument that he didn't receive any dividends in October, November or December. But as there is still evidence of salary payments, I still think it was fair for Exeter to conclude Mr E was receiving an income for the purpose of calculating his correct benefit.

Mr E said his dividends usually made up a large part of his income and he wasn't able to pay himself any when is off so this should be taken into account. But Mr E's policy is to cover the loss of his personal income, not company profits. And for the reasons already explained above, I think it was reasonable for Exeter to deduct his recurring salary payments during the claim period from their settlement.

It appears Mr E believed the policy was taken out on behalf of his limited company. However, I can see his policy schedule shows the policy was been taken out in his individual name. This isn't unusual because an income protection policy is designed to protect an individual, not a business. As our investigator has explained - insuring a business for financial losses requires a different type of policy such as business interruption policy.

Mr E also highlighted the premiums payments came from his business account, but this doesn't make a difference as already explained above, the policy was held in his individual name.

If Mr E is unhappy about what happened when the policy was sold to him, he would need to raise this as a separate matter to the IFA who sold him the product.

I appreciate it would've been disappointing for Mr E to be told he needed to return some of the funds. However, Exeter was entitled to assess whether he had suffered a loss of income during the period of the claim. And they had the right to request any over payment of benefits to be repaid. So on receipt of Mr E's bank statements I think it was fair for them to ask for payment back.

I'm sorry to bring Mr E what I know will be disappointing news. But for the reasons I've explained above, I think Exeter fairly assessed his claim and its reasonable for them to conclude he received an income that should be deducted from his settlement. If Mr E is unable to repay the overpayment in one go, he should contact Exeter to discuss other repayment options.

My final decision

For the reasons set out above I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 16 January 2026.

Georgina Gill
Ombudsman