

## **The complaint**

Mr H is unhappy with the way British Friendly Society Limited (BFS) assessed his other income to stop paying his income protection claim.

Mr H brings his complaint through a third-party representative, but for simplicity, I'll refer to all submissions as being made by him personally.

## **What happened**

Mr H has an income protection policy with BFS. In September 2023, he claimed on his policy owing to shoulder pain, which radiated through both arms. His claim was accepted and he was receiving regular benefit under the policy. During that time, his waiver of premium benefit meant he wasn't charged a monthly premium.

In June 2025, Mr H began receiving payments from his pension, which affected his ongoing claim as BFS stopped paying the benefit. This also meant Mr H had to start paying the monthly premium for the policy.

BFS said after reviewing Mr H's claim, it realised Mr H's income exceeded the policy threshold from June 2025, when he began receiving payments from his pension. It noted Mr H's circumstances were unique in that he was also receiving a regular monthly payment from his employer, which is due to continue until 2030. It said it can potentially continue to pay his claim from that point in time as once that payment ends, his income will reduce back to within the policy's scope.

Mr H said the policy terms don't stipulate BFS will assess his pre-tax income. He said other insurers consider net income and so he'd like BFS to reassess his claim on that basis and pay him any benefit he's owed. Mr H also doesn't think it's fair that he continues to pay the policy premiums as he's effectively paying for a policy that won't pay any benefit until 2030.

Our investigator didn't uphold this complaint. She said although the policy doesn't explicitly say it'll consider gross income, she noted the regular payment Mr H receives from his employer is still subject to income tax and national insurance contributions. She said, therefore, the insurer can consider the gross income as it would for any regular income paid by an employer. Our investigator also said BFS can reasonably continue to charge a premium for as long as Mr H continues to hold a policy. She acknowledged there were some service-related issues, which she felt the £50 compensation BFS already paid was fair.

Mr H, unhappy with that, asked that an ombudsman review his complaint. In summary, he said the regular payment he receives from his employer should not be considered as income for the purposes of his claim. He also reaffirmed the policy terms don't specify BFS will consider gross earnings and so feels this is unfair. Mr H also said BFS's intention to continue to charge him a monthly premium is in contrast with Consumer Duty. And so, it's now for me to make a final 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.

Having done so, I've decided not to uphold it and for similar reasons to those given by our investigator. I think it reasonable for BFS to consider the gross regular income Mr H receives from his employer as additional income. I also think it's fair that BFS continue to charge him a premium for the policy, even though it won't resume his claim until 2030. I'll explain why.

The relevant rule that applies in this case comes from the Insurance Conduct of Business Sourcebook (ICOBS) and says BFS must assess claims promptly and fairly and must not reject a claim unreasonably. I've considered this and other relevant industry guidance whilst assessing Mr H's complaint.

Although I may not respond to every point Mr H has raised, I want to reassure him I've considered everything he's said. The informal nature of this service enables me to do that so I can resolve complaints with minimal formality.

The policy terms say about sources of other income:

*"You need to know that other sources of income might reduce your benefit payments*

*When we work out your benefit payments, we factor in any other money you might be getting at the same time. If you have, or might have, other money coming in from other sources, you'll need to tell us. We may need to reduce your benefits if they'll take you over your maximum benefit"*

The policy then goes on to explain examples of what could be considered other income. I should say the policy doesn't give an exhaustive list, but I don't think it has to. It gives information on what it doesn't consider additional income – savings, investments and state benefits. Mr H's regular payment from his employer isn't a salary but it's still tax deductible. And because it's not money from his savings, an investment or a state benefit payment, I think it's reasonable BFS consider this income to determine whether Mr H exceeded the maximum benefit under the policy.

Mr H argued BFS should consider the net figure he receives from this payment, and I understand his reasons for that. Mr H also provided policy terms from other insurers to support his argument. I acknowledge other insurers may assess claims differently, but I must consider the terms of the policy he holds with BFS. The terms don't specify whether it'll assess the pre-tax income and so I've carefully thought about how this payment is made.

Given this payment is made by his employer, I think BFS can reasonably refer to the pre-tax value of the payment, in the same way it would consider any payment made by an employer. The terms say it'll protect up to a maximum of £57,000 of Mr H's yearly income, before tax. So, I don't think BFS's position is unreasonable when I consider it in the wider context of the policy terms as it refers to pre-tax income throughout.

### Waiver of premium

Mr H said that because he's effectively unable to benefit from the policy until 2030, he shouldn't have to pay the monthly premium. I'm sympathetic to the position Mr H has found himself in, but I don't think BFS is being unfair by declining his request. The terms say there are two occasions when a consumer doesn't have to pay the premium – when the insurer is paying benefit and when a consumer takes a premium holiday.

As neither of these circumstances apply in Mr H's case, I'm satisfied BFS's position that Mr H must continue to pay his premium is fair.

Mr H said this contrasts with the insurer's obligations under Consumer Duty, namely that BFS's position on the premium is causing him foreseeable harm and should raise concerns about fair value, given he's unable to receive benefit until 2030. The reason Mr H is unable to receive benefit until then is because the payment he's receiving from his employer is directly related to his illness.

Mr H was sadly medically retired from work and will receive this payment until then. It's this payment, along with the value of his pension payments, that mean he's exceeded the maximum benefit under the policy. But once the payment from Mr H's employer is completed, BFS said it'll look to restart paying benefit under the policy – provided he's not in receipt of any other income that would take him beyond the income threshold.

BFS offered Mr H to temporarily reduce the level of cover which would in turn reduce the monthly premium – which I thought was reasonable. It's ultimately a decision for Mr H to make but should something unexpected happen and his income reduces below the policy limit during this time, the policy will look to pay benefit. So, I think it's fair that he continues to pay the premium should he want to continue to receive the benefit of cover. I don't consider BFS's position to be a breach of Consumer Duty for these reasons.

Mr H said there were service-related issues throughout BFS's handling of the claim. I agree there were times when he was asked for information that he'd already provided, but I consider that to be a minor inconvenience. There was also another issue where Mr H wasn't explicitly told his direct debit to collect premium was to be reinstated or that there was a slight increase in the cost of cover. I've considered BFS's actions in response to the service-related issues and I think it's reasonable.

BFS apologised for the errors and offered to return the money it collected, acknowledging it didn't intend to cause Mr H any financial detriment. It explained this was an oversight and explained it'd reinstated the existing direct debit instruction upon stopping benefit payments. BFS paid Mr H £50 compensation for the distress and inconvenience caused and having considered everything in the round, I'm persuaded that's fair and so make no further award in the circumstances.

### **My final decision**

For the reasons I've explained, 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 13 April 2026.

Scott Slade  
**Ombudsman**