

## The complaint

Mrs B is unhappy that Vitality Health Limited (Vitality) cancelled her private medical insurance policy in error.

## What happened

In January 2025, Mrs B renewed her private medical insurance policy with Vitality.

In August 2025, Mrs B became aware that Vitality hadn't collected the premiums on the policy she renewed in January 2025 and that the policy had been cancelled.

So, she contacted Vitality. It said while Mrs B was having discussions with Vitality about renewing the policy, collecting the premiums had been put on hold. When the renewal was accepted, Vitality failed to start collecting the premiums.

Mrs B made a complaint to Vitality. It accepted the error, apologised and offered Mrs B £200 compensation in recognition of this. Vitality also offered a three-month payment plan to bring the premiums back up to date.

Mrs B disagreed and said she wanted the premiums to be waived. She brought her complaint to this service. Our investigator partially upheld the complaint and recommended a further £200 compensation for the impact caused as a result of Vitality's error.

Vitality accepted the investigator's findings.

Mrs B disagreed and asked for the complaint to be referred to an ombudsman. So, it's 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.

Mrs B says she isn't disputing that the premiums are due. But that Vitality made errors in not taking the premiums and in not realising that an error had been made until eight months later. She also says that the payment plan proposed by Vitality isn't affordable to her and is therefore unfair.

I've separated these two key issues below.

### *Vitality's error in collecting the policy premiums*

My understanding is that the renewal quotation proposed by Vitality was accepted by Mrs B in January 2025. However, the policy remained on hold, and the premiums weren't taken by Vitality until Mrs B became aware and raised the issue in August 2025. Between January 2025 and August 2025, Mrs B didn't receive any notifications from Vitality of any missed payments, and the policy was then cancelled. When Mrs B complained about this to Vitality, it accepted the error made, apologised to Mrs B and offered £200 compensation in

recognition of this.

Our investigator thought the error had gone unnoticed for several months and resulted in Mrs B facing an arrears balance. The impact of this was stressful and worrying for Mrs B as she had to make up the shortfall to ensure she had the cover on the policy. So, our investigator recommended an additional £200 compensation, making this a total of £400 compensation for the error caused by Vitality.

Vitality responded and accepted the recommendation. As Mrs B didn't agree, I've reviewed what happened. Having done so, I agree with our investigator that £400 is fair and reasonable compensation for the error caused by Vitality. I say this because Mrs B had to raise the issue otherwise it would have continued to go unnoticed for even more than the eight months. And this caused Mrs B undue distress and inconvenience about whether cover was in place for her and her family but also having to then make up the shortfall of the payments that hadn't been taken. So, I think Vitality failed in the service provided to Mrs B.

I've also considered that it took Mrs B eight months to become aware that the premiums hadn't been taken by Vitality. Whilst Vitality had responsibility in taking the premiums, Mrs B also had a degree of responsibility to ensure that premiums were being taken and that she had the cover in place. I've also considered that Mrs B had the benefit of the plan and as the premiums hadn't been taken, that she also had the benefit of the monies that would have been taken.

On balance, for the reasons give above, I'm satisfied that a total of £400 is sufficient compensation for what happened here and I think that's fair and reasonable.

#### Affordability

I understand Mrs B has concerns about her affordability in having to make up for paying the premiums. She says Vitality would like her to make payments over a short period which isn't affordable to her. Mrs B says she isn't disputing that the premiums are due. But the basis of her complaint is the amount Vitality is expecting her to pay with no negotiation.

I do have complete empathy with the situation Mrs B has found herself in. And I understand the concerns she has expressed regarding her affordability. Whilst it's not in dispute that premiums will need to be paid up in order for cover to be effective on the policy, there is an onus on both Mrs B and Vitality to ensure that the payment plan is fair and reasonable.

I can't decide on the payment plan itself, but I can look at whether Vitality has treated Mrs B fairly and reasonably regarding this matter. I note that Vitality offered Mrs B to get in touch to explore the plan proposed in its final response. It said that its underwriters agreed to a maximum payment plan of three months to make up the arrears. This was because premiums weren't up to date and would impact any claims being paid on the policy. And Vitality is unable to allow a spread of outstanding payments that would overrun into the next renewal period. I've considered that ultimately, to reinstate a policy and for Mrs B to have benefit of the policy, any outstanding premiums would need to be paid up.

Vitality said the policy can remain cancelled and a new plan could be set up either with Vitality or a new provider.

Based on the information I've seen, I think Vitality has proposed the options to Mrs B in a fair and reasonable way. As far as I'm aware, I note that Mrs B hasn't to date made up any shortfall and she considers that the premiums should be written off given the issues she's had. I don't think that's fair or reasonable. I've already said above that I agree Vitality had the responsibility to take the premiums, but I also think Mrs B had responsibility to ensure the

premiums were being taken. The £400 compensation is sufficient for the error Vitality has accepted and apologised for. So, I don't consider that writing off the premiums is fair in the circumstances.

The payment plan is an agreement that will need to be reached between the two parties as I can't comment on the commercial decision itself. But overall, I think Vitality has treated Mrs B fairly in attempting to reach an agreement to make up the shortfall in the premiums. Whilst Mrs B doesn't think Vitality's proposal goes far enough, this doesn't mean that it hasn't treated her fairly and reasonably.

The decision on how Mrs B wishes to proceed in terms of making the payments is left to her as long as Vitality has treated her fairly and provided her with options. I haven't seen evidence that Vitality hasn't treated her fairly. It's also accepted the error it made and agreed to fair compensation in recognition of this. Whilst Mrs B says she cannot afford to make up the premiums in the way Vitality has proposed, I'm afraid I can't get comment on this, and she will need to contact Vitality directly to decide on the next steps in regard to what she wants to happen with the policy.

### **Putting things right**

I direct Vitality Health Limited to put things right by:

- Paying Mrs B £400 total compensation (including the £200 already offered) for the distress and inconvenience caused to her.

Vitality must pay the compensation within 28 days of the date on which we tell it Mrs B accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% simple per annum.

### **My final decision**

For the reasons given above, I partially uphold Mrs B's complaint about Vitality Health Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 1 April 2026.

Nimisha Radia  
**Ombudsman**