

complaint

Mr M has complained that NPA Insurance Limited cancelled his personal accident and sickness policy as a result of which he was unable to make a claim on the policy.

background

The background to this complaint, and my provisional findings, were set out in my provisional decision dated 5 February 2016. A copy of this is attached and forms part of this final decision. In my provisional decision I invited both parties to let me have any further comments and evidence.

Mr M said he fully accepted my provisional decision.

NPA did not accept my provisional decision. In summary it says:

- It did not cancel the policy – it was not renewed;
- It was not wholly responsible for the confusion regarding which policy was being discussed and Mr M should make a reasonable contribution to the situation; and
- It thinks an interest rate of 8% is punitive and suggests a rate of 1.3% *“being typical of instant access savings”*.

my findings

I've re-considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done this, I'm not minded to depart from my provisional decision.

I accept that the policy was technically not renewed rather than cancelled. However, the result was the same in that Mr M ceased to have the cover he thought he had.

I remain satisfied that the person who spoke to Mr M used terms that confused him into thinking the call related to a policy he no longer wanted. I'm not persuaded that Mr M could be held responsible for the confusion.

An interest rate applicable to savings accounts would only be appropriate if it was apparent that Mr M had been able to use savings to make up all of what he would have received from the policy. It's not clear if Mr M had to borrow all or part of the money, so I'm satisfied that interest should be at 8% which is the rate used by the courts.

my final decision

For the reasons given above and in my provisional decision my final decision is that I uphold this complaint. I require NPA Insurance Limited to:

- 1 Assess Mr M's claim for his sickness during 2014 on the basis that his policy had not been cancelled;
- 2 If payable, pay Mr M the full amount he would have received, less the premiums he would have had to pay to cover his claim; and

- 3 Pay Mr M simple interest at 8% per year on any amount paid to him under 2, above, from 1 November 2014 to the date of settlement.

If HM Revenue & Customs requires NPA Insurance Limited to take off tax from the above interest, it must give Mr M a certificate showing how much tax it has taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 11 April 2016.

Charles Bacon
ombudsman

Copy of provisional decision

background

Mr M took out the policy in May 2012. NPA says that it telephoned Mr M in May 2014 to ask him if he wanted to continue to hold the policy. It says that he declined to do this and the policy was, therefore, cancelled.

Mr M says he thought that the call from NPA was about another policy he had previously held with NPA which he had cancelled because it was no longer required due to a change in the nature of his employment. He says that he thought NPA was trying to persuade him to reinstate the old policy which he did not want to do. However, he did not intend to cancel his personal accident and sickness policy.

Mr M wishes to make a claim under the policy for a period for sickness during 2014. NPA told him it would not cover this claim because the policy had been cancelled. Mr M complained to NPA, but it did not change its decision. Consequently, Mr M referred his complaint to this service.

After the complaint had been referred, NPA said it was willing to settle it on the basis that it would assess the claim and pay Mr M 50% of what he would have received if the policy had not been cancelled. This offer was not acceptable to Mr M.

Our adjudicator then considered the complaint and recommended that NPA should pay Mr M the amount he would have received in respect of a claim under the policy (less the amount of any premiums he would have paid).

NPA did not agree with our adjudicator's recommendation. It maintains that it is appropriate for the complaint to be settled on a 50/50 basis. It also says that it should not have to pay out on a claim that has not been processed.

my provisional findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I have listened to a recording of the telephone call that NPA made to Mr M in May 2014. I am satisfied that the person who made the call used technical terms that were more appropriate to the policy previously held by Mr M than to his personal accident and sickness policy. I think NPA could have done more to make it clear to Mr M which policy was being discussed. I also think it was reasonable for Mr M to believe that the call related to his old policy.

Given the above, I am satisfied that it is reasonable for NPA to settle Mr M's claim on the basis that the policy had not been cancelled. I do not agree that it is reasonable for NPA to pay a proportion of the amount it would have paid to Mr M. I think he should receive 100%.

I accept that NPA has not yet assessed Mr M's claim and that it should be given the opportunity to do so, in accordance with the terms of the policy. I consider that it is reasonable for NPA to deduct the premiums Mr M would have paid up to the date of the claim from any amount found to be due to Mr M.

If the claim is payable, I also consider that NPA should pay Mr M interest on the net amount that it pays to Mr M as he has been deprived of that money. I think the claim could have been settled in October 2014 and, consequently, interest should run from 1 November 2014.

my provisional decision

Subject to any further comments or evidence that I receive, my provisional decision is that I would uphold this complaint. I would require NPA Insurance Limited to:

- 4 Assess Mr M's claim for his sickness during 2014 on the basis that his policy had not been cancelled;
- 5 If payable, pay Mr M the full amount he would have received, less the premiums he would have had to pay to cover his claim; and
- 6 Pay Mr M simple interest at 8% per year on any amount paid to him under 2, above, from 1 November 2014 to the date of settlement.

If HM Revenue & Customs requires NPA Insurance Limited to take off tax from the above interest, it must give Mr M a certificate showing how much tax it has taken off if he asks for one.