DRN-4556811

## The complaint

Miss M complains that Aviva Insurance Limited has declined to pay a claim it had already authorised under a group private medical insurance policy.

## What happened

Miss M's employer held a group private medical insurance policy with Aviva. Miss M was a beneficiary of the contract. The policy renewed in September 2022 and the policy year was due to end in August 2023.

In late May 2023, Miss M contacted Aviva online to make a claim on the policy. Aviva authorised the claim on 1 June 2023. However, Miss M's employer's policy premium payments subsequently bounced and so premiums were unpaid. And in August 2023, Miss M's employer asked Aviva to cancel the policy, with an effective cancellation date of 1 May 2023. At the time Miss M underwent private medical care, the monthly policy premiums were and remained unpaid.

Therefore, Aviva told Miss M that her claim wouldn't be settled. That's because the policy specifically excluded cover if the monthly premium hadn't been paid at the time the treatment took place. And Aviva said that it had been Miss M's employer's responsibility to tell its staff that it hadn't paid for the policy; it had gone into administration; and that it had requested a backdated cancellation of the contract. But it did pay Miss M £100 compensation because it noted it had given Miss M incorrect information about what had happened.

Miss M remained unhappy with Aviva's decision and so she asked us to look into her complaint.

Our investigator didn't think Miss M's complaint should be upheld. She thought Aviva had acted in line with the policy terms and conditions. And she thought that at the time it had authorised Miss M's claim, it hadn't been aware that the premiums were unpaid or that the policy would be cancelled. So she didn't think Aviva needed to pay Miss M's claim.

Miss M disagreed and so the complaint's been passed to me to decide.

## 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, whilst I'm sorry to disappoint Miss M, I don't think Aviva has treated her unfairly and I'll explain why.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And that they mustn't turn down claims unreasonably. So I've considered, amongst other things, the policy terms and the circumstances of this claim, to decide whether I think Aviva treated Miss M fairly.

It's important I make it clear that while Miss M was a beneficiary of this private medical insurance contract, she wasn't the group policyholder. The policyholder was her employer. Communications about the contract terms and the payment of premiums would usually be between Aviva and Miss M's employer. I wouldn't generally expect Aviva to correspond with policy beneficiaries about such issues. So I don't think Aviva made any error when it didn't write to Miss M directly about her employer's missed premiums or decision to cancel the policy.

Aviva did send Miss M a personal policy certificate setting out the terms of her cover. This is in line with what I'd expect it to do so that Miss M was clear about the level of insurance she held. I appreciate Miss M's policy schedule shows that the 2022-23 group policy year was intended to run until the end of August 2023. But I don't think that at the point it issued Miss M's renewal certificate, Aviva could reasonably have foreseen that Miss M's employer would stop paying for the policy, go into administration and request its early cancellation. And so I don't think it would be reasonable for me to tell Aviva to treat Miss M as having cover in place when the group policyholder had explicitly requested the backdated cancellation of the policy.

I've next gone on to consider whether I think it was fair for Aviva to ultimately conclude that Miss M's claim wasn't covered. I've looked carefully at the terms of the contract between Miss M's employer and Aviva. The relevant section says:

'*We will not pay any claims if premiums are not paid to date at the time a member's treatment takes place. It is your responsibility to advise members if the premiums are not paid when due as this may affect any claims that are underway.'*

This is also echoed on page two of Miss M's renewal certificate which says:

*'As the policy is paid monthly, if there is any interruption to payments your cover will be suspended.'*

In my view, the policy terms make it clear that Aviva won't pay claims if the group scheme premiums aren't up to date at the time treatment takes place.

There's no dispute that Aviva authorised Miss M's treatment on 1 June 2023. But by the time Miss M underwent treatment, the policy premiums weren't paid to date. As such, I don't think it was unfair for Aviva to conclude that the claim wasn't covered by the policy terms.

So I've next thought about whether I think Aviva ought to have been aware that there might be a problem with the policy or that Miss M's claim might ultimately go unpaid at the point it was authorised.

Aviva's claims notes show that the claims handler checked the policy status on 1 June 2023 when the claim was authorised. Aviva says that the group premium had been collected as usual on 1 May 2023 but that new members had been added to the contract by Miss M's employer late in May. This had generated a small additional outstanding premium. This amount was collected together with the usual monthly premium on 1 June 2023. Aviva says that the premiums didn't bounce until 15 June 2023.

So it seems then that at the point Aviva authorised Miss M's claim, the policy appeared paid-up and cover was in force. Therefore, I don't think I could reasonably find that Aviva ought to have had reason to suspect that the premiums would be returned unpaid (or that cover under the policy would end) before Miss M's treatment took place.

And I note that when Aviva emailed Miss M to authorise her claim, the email included the

following:

*'Important - the cover outlined above is subject to your policy terms and conditions (including any excess and/or outpatient benefit limit) as shown in your policy schedule, as well as all premiums being paid to date at the time of your treatment.'*

As such then, at the point of claim authorisation, I think Aviva made it sufficiently clear that payment of Miss M's claim was conditional on premiums being paid to date at the time her treatment took place.

I do have a great deal of sympathy with Miss M's position because she's been left with a medical bill to pay through no fault of her own. But I don't think I could fairly or reasonably find that Aviva wasn't contractually entitled to decline the claim. Nor do I think that at the time Aviva authorised the claim, there was anything to put it on notice that the premiums would bounce or that the policy would be cancelled and that the cancellation would be backdated. So, on the specific facts of this complaint, I don't think it would be fair or reasonable for me to direct Aviva to pay Miss M's claim outside of a strict application of the terms and conditions of the policy.

Aviva accepts that it could have given Miss M clearer information about the reasons why her claim had been turned down. It's paid her £100 compensation to acknowledge the effect this had on her. I think £100 compensation is a fair, reasonable and proportionate award to recognise the likely modest impact of Aviva's failure to correctly explain the situation to Miss M at a time when she was already upset that her claim had been declined. So it follows that I think Aviva has already treated Miss M fairly and I make no further award.

**My final decision**

For the reasons I've given above, my final decision is that Aviva has already settled Miss M's complaint fairly.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 7 March 2024.

Lisa Barham
**Ombudsman**