

## **The complaint**

Miss B complains that Society of Lloyd's mis-sold her an income protection insurance policy.

## **What happened**

In September 2022, Miss B took out an income protection insurance policy online when she changed energy providers. The policy provided cover if Miss B was unable to work due to sickness, accident or unemployment.

Subsequently, in October 2023, Miss B tried to make a claim on the policy for unemployment after she'd been made redundant. However, as Miss B's redundancy pre-dated her taking out the policy, Lloyd's let her know that her claim wouldn't be covered.

Later that month, Miss B complained that the policy had been mis-sold to her. She said she had multiple health conditions and hadn't been working at the time the policy was taken out. She said she hadn't been given any information about the policy either and that she hadn't asked for the cover,

Ultimately, Lloyd's agreed to refund Miss B's premium as a gesture of goodwill. And it also offered to pay her £150 compensation to reflect the impact of service delays on her.

Miss B was unhappy with Lloyd's' offer and she asked us to look into her complaint. She said she hadn't been given a choice about adding the cover. And she felt the compensation Lloyd's had offered was an insult. She said the situation had had a huge impact on her health; on her personal circumstances and on her finances. She felt £5000 compensation would be a more reasonable award.

Our investigator concluded that Miss B would never have been eligible for the policy and that therefore, Lloyd's had never been 'on-risk'. Therefore, he recommended that it should pay Miss B interest of 8% simple on the premium refund amount. But he felt Lloyd's had already offered Miss B a fair amount of compensation for her trouble and upset. He considered an amount of £150 compensation was fair in all of the circumstances.

Neither party agreed 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, I've decided that the fair outcome to this complaint is for Lloyd's to add interest at an interest of 8% simple to the insurance policy premium refund and to pay Miss B £150 compensation. I'll explain why.

First, I must make it clear that this decision will only consider the issues Lloyd's dealt with in its final response letter of 12 January 2024. I appreciate Miss B says she is unhappy with the way Lloyd's has handled things since then. But Miss B will need to make a separate complaint to Lloyd's about those points before we can potentially look into a new complaint

about those issues alone.

The relevant regulator's principles say that financial businesses must pay due regard to the interests of their customers and treat them fairly. I've taken those principles into account, amongst other things, when deciding whether I think Lloyd's has treated Miss B fairly.

Miss B says she wasn't given a choice about whether or not to take out the income protection insurance policy. Lloyd's has provided us with evidence of the relevant sales process which shows that it's most likely Miss B would have had to actively select the policy. It's also provided evidence of a pop-up during the online sales process which it says set out the relevant eligibility criteria and which a consumer would have needed to review before they chose to add the cover.

Based on the available evidence, it seems more likely than not that Miss B did choose to take out the insurance policy rather than it being added without her consent. Nonetheless, it remains the case that Miss B was never eligible for this policy. That's because the contract terms make it clear that in order to be eligible for the cover, a policyholder must have been working for at least 16 hours per week when they took it out. In Miss B's case, it appears that she was unemployed from at least July 2022 onwards (two months before she applied for the insurance) and it doesn't appear she was working at any point afterwards.

As such, it seems that Miss B has been paying for cover she would never have been entitled to benefit from. And Lloyd's was never 'on-risk' for any claims which might be made on the contract. It's clear Miss B was without access to the money she'd paid for cover while the policy was active. And generally, in circumstances like these, our usual approach is to award interest to the premium refund amount at annual rate of 8% simple. Having considered the particular circumstances of this complaint, I don't find there's sufficient reason to depart from that approach. So I'm satisfied that Lloyd's must add interest to the insurance policy premium refund amount at an annual rate of 8% simple from the date of sale until the date of settlement.

Miss B feels strongly that £150 compensation isn't sufficient to reflect the impact of Lloyds' actions on her. I've thought carefully about what she's said and I'm sorry to hear that Miss B has both been going through a difficult time and has been in poor health. But when deciding what I think fair compensation should be, I need to consider the financial business' error and the likely material trouble and upset it's likely to have caused. Our role isn't to fine or punish the financial businesses we cover.

In my view, Lloyd's made a few, minor administration and timeliness errors when it first dealt with Miss B's concerns. But I think these were swiftly acknowledged and put right. And I've seen no compelling, independent evidence (such as medical evidence) that any error by Lloyd's in responding to Miss B's concerns caused her to suffer the difficulties she's told us about. This means I agree with our investigator that based on the specific facts of this case, £150 compensation is a fair, reasonable and proportionate award to reflect the impact I think Lloyd's service errors are likely to have had on Miss B. So I'm directing it to pay Miss B £150 compensation if it hasn't yet done so.

### **My final decision**

For the reasons I've given above, my final decision is that I uphold this complaint.

I direct Society of Lloyd's to:

- Add interest to Miss B's insurance premium refund amount at an annual rate of 8% simple, from the date the policy was sold until the date of settlement\*; and

- Pay Miss B £150 compensation (if it hasn't yet done so).

\* If Lloyds' considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss B how much it's taken off. It should also give Miss B a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 9 April 2024.

Lisa Barham  
**Ombudsman**