DRN-4682184

Financial Ombudsman Service

The complaint

Mr and Mrs F are unhappy that AXA PPP Healthcare Limited (AXA) mis-sold them a private medical insurance policy in 2017, as they weren't told that cover for Mrs F would be underwritten on a moratorium basis.

They're also unhappy with the cost of the policy on renewal in August 2023.

What happened

Mr and Mrs F switched to a joint private medical insurance policy in 2017 underwritten by AXA (the policy). Previously they had separate private medical insurance policies and Mrs F's previous policy had also been underwritten on a moratorium basis with a moratorium start date of August 2011.

When taking out the policy in 2017, Mr F was accepted on a continued medical exclusion underwriting basis. Cover for Mrs F was underwritten on a moratorium basis, meaning that treatment for pre-existing medical conditions and specified conditions were excluded for at least the first two years of the policy starting (1 August 2017).

Mr and Mrs F raised concerns about the moratorium applicable to Mrs F's cover in 2023. They said they were unaware that cover for her had been underwritten on this basis and given her pre-existing condition, they would never have agreed to this if they'd known. They say the policy was mis-sold.

Mr and Mrs F are also concerned by the increase in the policy premium for the policy year 2023 / 2024. They say the premium increased by over £1,000.

Our investigator looked into what happened and didn't uphold Mr and Mrs F's complaint. Mr and Mrs F disagreed so this complaint has been passed to me to consider everything afresh 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.

So that everyone is clear, I'm only deciding the complaints set out above.

I'm aware that Mr and Mrs F has raised a previous complaint about the sale of the policy, which was determined – and not upheld - by another ombudsman in May 2023. I will not be reconsidering any aspects of that complaint again.

Although the previous complaint was about the sale of the policy, that was in relation to a different point. The previous decision made by another ombudsman didn't concern whether, when the policy was sold, it was made clear to Mr and Mrs F that Mrs F's cover would be underwritten on a moratorium basis.

The sale of the policy

As I'm satisfied this was a non-advised sale, when selling the policy to Mr and Mrs F, AXA had an obligation to ensure Mr and Mrs F were given, clear, fair not misleading information about the main features of the policy they bought.

Unfortunately, the call during which the policy was sold is no longer available.

However, I've listened to a call recording of another call around the same time and Mr F says to the representative (on behalf of Mrs F who is in the background) that AXA wouldn't cover a particular condition of Mrs F's "no matter what would they?" AXA's representative replies: "not unless two years trouble free".

So, whilst I don't know whether Mr and Mrs F were given more information about how the moratorium works during another call (or that the moratorium applied to all and any of Mrs F's pre-existing medical conditions), I think Mr and Mrs F were reasonably aware that for the medical condition mentioned by Mr and Mrs F during the call, Mrs F had to be two years free of that condition for a claim to be considered in respect of it.

I've also looked at the policy documents which I'm satisfied would've most likely sent to Mr and Mrs F after the policy was sold and I think they support that Mr and Mrs F were given clear enough information about the moratorium.

The membership guide is 12 pages long and on page 3 is says cover for Mr F is on "continuing medical exclusion terms" and Mrs F's "cover for existing medical conditions is on two-year watch and wait terms, also known as a moratorium".

It also says: "see below for details". And on the next page (page 4) there's a heading: "your cover for existing medical conditions".

It says Mr F was accepted on a continued medical exclusion underwriting basis. Cover for Mrs F was underwritten on a moratorium basis, meaning that treatment for pre-existing medical conditions and specified conditions were excluded for at least the first two years of the policy starting (1 August 2017).

I've also considered the handbook, setting out the policy terms and conditions.
Section 3.4 sets out "how your membership works with pre-existing conditions and symptoms of them". And goes on to explain the moratorium.

It says:

> If you joined us on moratorium terms, it means that you won't have cover for treatment of medical problems you had in the five years before you joined us until:
>
> - you've been a member for two years in a row, and
> - you've had a period of two years in a row since you joined that have been trouble-free from that condition.
>
> If you have diabetes or raised blood pressure, or you are having treatment or being monitored as a result of having a PSA test (to do with the prostate; that showed abnormal levels, there are some other specified conditions we won't cover treatment for). Please see the next page for more about these.
>
> If you joined us from another health insurer or from a company membership, and we carried on your moratorium front that insurer, the rules may be slightly different, and

we may start the moratorium from when it originally began on your previous insurance. Your membership certificate will show more details about how your particular moratorium works.

The definition of trouble-free

If you joined on moratorium terms, what do we mean by trouble-free?
Trouble-free means that you have not done any of the following for the medical condition you need treatment for:

- had a medical opinion from a medical practitioner, including a GP or specialist
- taken medication (including over-the-counter drugs)
- followed a special diet
- had medical treatment
- visited a practitioner, therapist, homeopath, acupuncturist, psychologist, cognitive behavioural therapist, optician or dentist.

In an email to our investigator dated 28 November 2023, Mr F accepts that they didn't read the documents that were sent to them after the sale. He says that they didn't read them until after the premium increased by over £1,000 in 2023. He then called AXA and the moratorium was discussed.

I'm satisfied that if Mr and Mrs F had read the documents sent to them after they switched to the policy, they would've been made reasonably aware of the moratorium term. And if it wasn't what they had wanted, they could've contacted AXA at that time to query it.

So, overall, I'm satisfied on the balance of probabilities that Mr and Mrs F were made reasonably aware that Mrs F's cover had been underwritten on a moratorium basis; with a new moratorium start date of August 2017.

I've taken into account Mr and Mrs F's point questing why Mrs F would switch to a new policy had she been aware of the moratorium term. There are many reasons which may have motivated the change in policy, including price as Mrs F was unhappy with the premium quoted for the private medical insurance policy she had at the time, before opting to switch to the policy jointly with Mr F.

The increase in policy premium in 2023

AXA has provided the Financial Ombudsman Service with a breakdown of how the premium for the policy year 2023 / 2024 was calculated.

It's for AXA to determine which factors it takes into account when pricing its health insurance policies. The premium increased because of factors such as age and medical inflation. And I don't think the factors it's mentioned are out of line with the industry norm, or inherently unfair or unreasonable. Having considered a breakdown of the premium calculations received from AXA, I'm satisfied that the premium was calculated fairly and in line with its criteria.

The policy terms also set out how the no claims discount is calculated for the following year, and it says that if a claim is made in the three months before the date of renewal, this may not affect your discount until the following year's renewal.

AXA has provided evidence that Mrs F made claims under the policy in the three months before the policy renewed in August 2022, which – in line with the policy terms – would've impacted the price at renewal in 2023. As I'm satisfied that Mrs F's no claims percentage was fairly reduced by AXA, this also resulted in the overall price of the policy going up.

My final decision

I don't uphold Mr and Mrs F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs F to accept or reject my decision before 12 August 2024.

David Curtis-Johnson
Ombudsman