

The complaint

Mr M complains that Red Sands Insurance Company (Europe) Limited (Red Sands) unfairly declined a claim for his dog, under his pet insurance policy.

What happened

Mr M claimed to Red Sands for treatment his dog needed. This was declined based on an exclusion for a pre-existing condition. But Mr M says his policy terms explain that Red Sands will cover some conditions again - if his dog hasn't had, or been recommended to have, treatment in the last 24 months.

Mr M says his policy premium has been increasing dramatically, his excess has increased, and his contribution to treatment costs has also increased. He doesn't think the price he's paid is fair given the limitations to the policy cover. In addition, Mr M thinks the exclusions applied to his policy are too generic and wide ranging.

In its final complaint response Red Sands says Mr M has a time limited policy. This means it will cover a condition for up to 365 days from the onset date. It says the policy then excludes that condition from any subsequent periods of cover. Red Sands says the pre-authorisation claim it received, for investigations to Mr M's dog's left foreleg lameness, was declined as this was added as an exclusion in 2015.

Red Sands didn't respond to Mr M concerns about the increase in his premium.

Mr M didn't think Red Sands had treated him fairly and referred the matter to our service. Our investigator upheld his complaint. She says the business hadn't shown whether the exclusions had been reviewed at the 24-month point. In addition, she says it hadn't provided evidence to show that Mr M's premium was calculated fairly. Our investigator didn't think it was fair for Red Sands to rely on the exclusions it did to decline Mr M's claim. She says it should remove the exclusions from the policy and reassess his claim under the remaining policy terms and conditions.

Red Sands didn't agree with this outcome and sent some further information and comments for our investigator to consider. She didn't change her mind.

As an agreement couldn't be reached the complaint has been passed to me to decide.

I issued a provisional decision in May 2024. Here's what I said:

provisional decision

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 my intention is to uphold Mr M's complaint. Let me explain.

It's for the insured to show that a loss has occurred and if they can, then, generally speaking,

the insurer must pay the claim. This is unless it can reasonably rely on a policy exclusion not to.

Mr M's policy terms say:

"Your Exclusions

Pre-existing conditions aren't covered by this policy. We consider a condition to be pre-existing if your pet showed any signs or symptoms before the start date of your cover, whether they needed treatment or not. We can start covering some conditions again if they haven't needed – or been recommended to have – treatment from you or the vet in the last 24 months. If a vet says a condition does need treatment during this time, and you delay getting it, we won't cover that condition. We don't cover any pre-existing chronic conditions, for example, diabetes, arthritis and epilepsy."

Mr M's vet submitted a pre-authorisation request to Red Sands in 2023 for x-rays to investigate his dog's foreleg lameness condition. I can see from his policy schedule that cover is excluded for the following:

"Excludes cover on all claims with respect to anything to do with the fore limb lameness which occurred in August 2015 and resulting conditions with effect from 16th October 2015".

I note Mr M's comments that his dog suffered from fluid on an elbow joint that was rectified by a course of anti-biotics. He says there has been no re-occurrence of this issue for seven years. I also note his reference to Red Sands reconsidering an excluded condition if it hasn't required treatment for 24 months.

We asked Red Sands to say whether it had reviewed the exclusions it applied to Mr M's policy. It didn't respond. Mr M says there has been no treatment for his dog's leg for seven years. The policy terms say Red Sands can start covering conditions again after two years. This is if there has been no treatment and/or treatment hasn't been recommended.

Red Sands hasn't explained why it couldn't start covering Mr M's dog again. Or provided reasoning to show that the exclusion it has added should remain. Because of this, I don't think it can reasonably rely on the exclusions it has. In these circumstances I think it's fair that it reconsiders Mr M's claim under the remaining policy terms. It should also remove the exclusions it added to the policy relating to pre-existing conditions.

I've also thought about Mr M's view that he's been charged unfairly for his pet insurance. To understand more about this, we asked Red Sands to provide its underwriting criteria.

It's for an insurer to decide how to assess risk and at what level it sets its premiums. This isn't something our service can consider. But I can look to see that Red Sands treated Mr M the same as it would any other customer by following its established underwriting criteria.

Unfortunately, Red Sands hasn't responded to my request for information. So, I can't see if it treated Mr M fairly.

Mr M has provided the renewal information he received for his 2022/2023 and 2023/2024 policy years. His annual premium increased from £468.24 to £647.04 over this period. In these circumstances as Red Sands hasn't demonstrated it calculated the increase fairly, it should refund the additional premiums Mr M has paid plus 8% simple interest. Mr M pays his premium monthly and his policy term runs to October 2024. Red Sands should ensure it adjusts his premium so all outstanding payments for this policy year are reduced to the level of the last year's policy.

Finally, I've considered the impact all of this has had on Mr M. His dog required treatment, which was a stressful time for him. This was made worse by Red Sands unfair decision to decline his claim. To acknowledge the distress and inconvenience it caused, it should pay him £200 compensation.

I asked both parties if they wanted to provide any further comments or information for me to consider.

Mr M responded to say that he wants to ensure that any condition going forward is treated under the same two-year review requirement.

Red Sands responded with further information and explanations. It says Mr M's policy is time limited. It only provides cover for any given condition for one year. Following this an exclusion will be placed on the policy. It says this is not a lifetime policy.

Red Sands has provided information from its underwriters to show how Mr M's policy was calculated, which it maintains was done correctly.

Red Sands also says that it declined Mr M's claim correctly and in line with his policy terms.

I issued a second provisional decision. Here's what I said:

Second provisional decision

I've reconsidered all the available evidence, including the new information and comments from both parties to decide what's fair and reasonable in the circumstances of this complaint.

Having done so my intention is to not uphold Mr M's complaint. I'm sorry to disappoint him. But the evidence I've now seen supports that Red Sands has treated him fairly.

The policy terms Mr M refers to say a pre-existing condition can be covered if it hasn't needed, or been recommended to have, treatment, "from you or the vet in the last 24 months". Red Sands correctly points out that the exclusion it applied in 2015 wasn't related to a pre-existing condition. The exclusion was added following a claim for a condition that occurred whilst Mr M's policy was on cover.

Red Sands says when it received the pre-authorisation claim for investigations to Mr M's dog's left foreleg lameness – it declined based on the exclusion it had applied in 2015.

The terms do allow for a pre-existing condition to be covered – if no treatment has been required for over two years. But this isn't relevant here as the exclusion Red Sands relied on relates to a claim made during the policy term. This wasn't a condition that existed prior to the policy incepting in 2014.

I think Mr M's policy terms are clear that he has a time limited policy. This means any new condition is covered for 12 months, as long as he renews his policy. At renewal an exclusion will be applied that means the condition is no longer covered, at the end of the 12-month period.

Based on this information I'm satisfied Red Sands treated Mr M fairly when declining his claim for the reasons given. I also agree with the business that the exclusions it applied to the policy are correct, as these relate to claims made within the period of cover.

Red Sands has now provided information to show how it calculated Mr M's policy premium

at renewal. This information is considered commercially sensitive so I can't share it. But it has shown from its established underwriting criteria, how it arrived at the premium it offered Mr M. I'm satisfied from this that it has treated him the same as it would any other customer in these same circumstances.

Having considered all of this, although I'm sorry Mr M will be disappointed, I can't say that Red Sands treated him unfairly when relying on its policy terms and conditions to decline his claim, and in the exclusions it applied. So, I can't reasonably ask it to do anymore.

I said I was intending to not uphold this complaint.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Red Sands didn't respond with any further comments or information for me to consider.

Mr M responded to say the business didn't provide information until it was faced with a financial settlement. He says had he known it was unwilling to review exclusions on the policy, he would've cancelled some time ago.

Mr M says that when the policy renews any condition that has been claimed for becomes a pre-existing condition. He says that Red Sands regards the policy inception date as when the policy began. Mr M says if he bought this policy as a new customer some of the excluded conditions would be covered after the 24-month moratorium. He says as an existing customer he is discriminated against by the business.

In his response Mr M says Red Sands has now removed its statement regarding pre-existing conditions from the most recent renewal documents. He says this shows it is aware its wording was misleading at best.

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'm not persuaded to change my findings. I'm sorry to disappoint Mr M, but I think my decision not to uphold his complaint is fair.

Mr M's policy is time limited. It provides cover for a period of 12-months for an insured condition. After this period the condition is no longer covered. The key point here is that if the condition was pre-existing, it means Mr M hasn't claimed for it previously. The condition Mr M is complaining about has been claimed for previously. So, under the terms of the policy it's excluded from any further pay-out.

I agree with Mr M that when a policy renews, this represents a new contract. But it isn't a new policy – rather it's a renewal of an existing policy. The start date is the date when the policy was first taken out. So, although I understand the point Mr M is making, I don't think Red Sands treated him unfairly when it relied on its policy terms to decline his claim and to apply the exclusions it has.

I acknowledge what Mr M says about the information contained in his renewal policy documents. But I don't agree that the information he has referred to previously was misleading for the reasons discussed. I'm satisfied that Red Sands has behaved fairly, and according to the terms and conditions of its policy.

My final decision

For the reasons I've explained above, and in my provisional decision, I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 September 2024.

Mike Waldron
Ombudsman