

The complaint

Mr R is unhappy with the way Zurich Assurance Ltd settled his claim and specifically, the amount of interest paid.

What happened

Mr and Mrs R had a life insurance policy, underwritten by Zurich. Sadly, Mr R's wife died and so he made a claim on the policy.

Zurich initially declined the claim and said there had been a misrepresentation at the time the policy was taken out. But it later reviewed the claim again and decided that it had been unfairly declined so it paid the claim, plus interest, using its internal guidelines and £500 compensation for distress and inconvenience.

Mr R complained and unhappy with Zurich's response, referred his complaint to the Financial Ombudsman Service.

Our investigator looked into the complaint but didn't think Zurich needed to do anything more.

Mr R disagreed and asked why Zurich wasn't being asked to pay 8% simple interest in line with the Ombudsman's long-established approach.

And so the case has been passed to me for a decision.

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 don't think this complaint should be upheld. I'll explain why.

- The background to this matter is well known to both parties so I won't repeat everything here. Instead, I will focus on what I consider to be key to my decision.
- The relevant rules and industry guidelines say an insurer should handle claims promptly and fairly. And shouldn't unreasonably reject a claim.
- There is no dispute that Zurich accepts it had unfairly declined the claim and it has now paid it in full. Zurich has paid interest using its internal guidelines plus £500 compensation for the distress and inconvenience caused to Mr R as a result of the delay in settling the claim and the stress and time it took Mr R to resolve the matter.
- Mr R thinks Zurich should pay 8% simple interest for the time he was without the claim money. Whilst 8% is the rate at which our service would generally direct interest to be paid if we were telling a business to pay a claim, there isn't anything within the industry rules or guidelines which requires insurers to use this interest rate.

- Additionally, the rules our service follows, (known as the DISP rules) set out that our service has the power to make awards of interest if we are instructing a business to make a money award, such as the settlement of a claim. In this instance, as Zurich has already settled the claim, I'm not directing it to make a money award. And so, although I'm sorry to disappoint Mr R, I won't be asking Zurich to make an interest award under the rules that govern us.
- Overall, I am satisfied that Zurich has resolved the complaint fairly. For the delay and distress and inconvenience, it has paid a reasonable level of compensation. Our compensation award bands can be found on our website and I am satisfied that £500 is reasonable for the significant impact Zurich's actions had on Mr R. Additionally, Zurich has calculated and paid interest on the claim amount in line with its internal guidelines to reflect the time Mr R was without the money. So I won't be asking Zurich to do anything further.

My final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 25 October 2024.

Shamaila Hussain
Ombudsman