

The complaint

Mrs B has complained that Canada Life Limited has declined a claim made under her employer's group critical illness policy.

What happened

The background to this complaint isn't in dispute. In summary Mrs B was a member of a group critical illness policy through her employer. The policy commenced on 1 April 2016.

In August 2024, Mrs B made a claim on the policy following a diagnosis of PTSD, depression, and prolonged grief disorder.

Canada Life first declined her claim in September 2024. This was based on the conditions she was suffering from not being one of the Insured Critical Illnesses. Mrs B said her claim should be considered under Total Permanent Disability ("TPD"). Canada Life advised Mrs B that the policy didn't include TPD.

Unhappy with Canada Life's response, Mrs B referred the matter here. Our investigator didn't recommend that the claim be paid, but he felt that a misleading overview document led Mrs B to understand she had TPD benefit. For the distress and loss of expectation she would have experienced when her claim was declined, he recommended that Canada Life pay £500 in compensation.

Mrs B didn't agree with the investigator's findings and refused the offer of compensation. She said that all previous arguments she had made still stood, but specifically in response to the investigator's view she said:

- The Consumer Duty did apply.
- She *always* believed that she had TPD benefit.
- If the only remedy for a provider breaching the FCA principles was £500 compensation the FCA is impotent, and its rules can be broken without any financial consequence.
- She was entitled to £80,000 from when her psychiatrist confirmed that she had TPD.

Canada Life accepted the investigator's view.

As no agreement has been reached the case has been passed to me, as a priority, to determine.

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.

I've summarised the background to this complaint and some sensitive details, no discourtesy is intended by this. Instead, I'll focus on what I find are the key issues here. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. I recognise that Mrs B will be very disappointed with my decision, and I'm sorry that it doesn't bring her welcome news, but I agree with the conclusion reached by our investigator for the following reasons:

- The relevant regulator's rules say that insurers mustn't turn down claims unreasonably. I've taken the rules into account, together with other relevant considerations, such as industry principles and guidance, the policy terms and the available evidence, to decide whether I think Canada Life treated Mrs B fairly.
- I've firstly considered the policy schedule as this sets out the extent of cover provided to Mrs B's employer, and under which she is a beneficiary. The policy schedule specifies, under Optional additional cover: **Total permanent disability**: *You have not selected cover for total permanent disability*. So it is clear that this optional extra wasn't included. This was the choice of Mrs B's employer. The policy booklet is generic and describes when total permanent disability benefit will be payable, if the option is selected. However Mrs B's argument is that she was mis-led by another document, so I've looked carefully at that.
- Canada Life has referred to this document as the "flexible benefits flyer". It accepts that this document, which I understand was uploaded to Mrs B's employer's intranet benefit site, incorrectly indicates that TPD is covered within her employer's policy. Mrs B says that this document was provided by Canada Life for the benefit of the employees and that she shouldn't be expected to check further documents to ensure that this document was correct. I have sympathy with her argument, but I'm not satisfied that this document was intended to, or does, replace the cover selected by Mrs B's employer. I note too that the document refers the reader back to the member guide "available from the HR team" for full details of all conditions covered. It follows that I don't find Canada Life unreasonably declined Mrs B's claim.
- Although I have seen the very supportive letter from her psychiatrist, I make no finding as to whether a claim would have been payable. I say this as it is not the role of this Service to assess claims, and I don't find it was unreasonable for Canada Life not to assess the claim, following its conclusion that TPD cover wasn't included.
- Nevertheless it is clear that this document led Mrs B to understand that she was covered for TPD. Like our investigator I find that this would have caused her substantial distress and thwarted her expectation that benefit would likely be paid. I find that compensation is merited and that the sum of £500 is fair in all the circumstances.
- Mrs B has referred to the Consumer Duty, and other regulations set down by the Financial Conduct Authority. She believes that if the only consequence of breaching those regulations is £500 compensation, then the rules and principles can be broken without any financial consequence. She feels this makes a mockery of the FCA. I think it is fair to point out that this Service doesn't regulate insurers or seek to punish them for any breaches. Rather we look at the impact that any breach may have had on the consumer and seek to compensate, as far as possible.
- The Consumer Duty came into force on 31 July 2023. This relevant part of the duty here is that an insurer should support customers to understand their products and provide information, which is clear, fair and not misleading. Here I'm satisfied that the

policy document and schedule were not misleading. I agree that the “flexible benefits flyer” (or overview document) gave a different impression and did say there was cover for TPD. But this document does refer back to the member’s guide – so doesn’t purport to be definitive. In short I don’t find that Canada Life prevented Mrs B from making an informed decision about the cover she was purchasing.

- I haven’t disregarded the evidence Mrs B has shared about her personal situation and I’m very sorry that my decision doesn’t bring her welcome news. But in all the circumstances I don’t find there is any basis for me to require Canada Life to assess Mrs B’s claim. I do find that the flyer/overview document was at odds with the cover provided and, if read in isolation, gave the impression that TPD was included. I agree that compensation of £500 is merited. Mrs B will need to decide whether she wishes to accept this in resolution of her complaint.

My final decision

My final decision is that I uphold this complaint in part. I require Canada Life Limited to pay Mrs B £500 in compensation.

I make no further award.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs B to accept or reject my decision before 17 January 2025.

Lindsey Woloski
Ombudsman