

The complaint

Mr C complains about the length of time it took The Prudential Assurance Company Limited ('Prudential') to deal with his serious illness and income protection claims.

What happened

Mr C holds an Essentials policy with Prudential. The policy provides a lump sum benefit upon diagnosis of a listed illness (serious illness cover), and a monthly benefit in the event the insured is unable to work due to illness (income protection cover).

In January 2024, Mr C made claims for both serious illness and income protection. Prudential assessed his claims, and paid the serious illness claim in May 2024. Prudential offered Mr C £250 compensation for the time it had taken to deal with that claim, which he accepted.

Prudential continued to assess Mr C's income protection claim, and this was accepted in August 2024. Prudential offered Mr C £250 compensation for the time taken to deal with the claim, which he refused. He brought a complaint to this service about Prudential's handling of both his serious illness claim and income protection claim. Prudential increased its offer for its handling of the income protection claim to £450, but Mr C also refused this.

Our investigator didn't recommend the complaint be upheld. She thought Prudential's total offer of £700 compensation was reasonable and recognised the impact that the delays had had on Mr C.

Mr C didn't accept our investigator's findings, and so the matter 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.

Serious illness claim

After Mr C made a claim in January 2024, there were some delays in Prudential obtaining the medical evidence from third parties. This was outside Prudential's control. Prudential received the medical evidence by early March 2024. Prudential considered the evidence but wanted more information from Mr C regarding his medical history. I note it took Prudential around a month to assess this information.

After Prudential spoke with Mr C in April 2024 about his medical history, it was a further few weeks before Prudential accepted the claim.

An insurer does need time to assess a claim once further evidence is provided. Whilst there were some delays here, I don't think these were excessive.

Mr C thinks Prudential's delay in making the claim payment caused him harm. He says he was keen to have his surgery carried out privately, but this option wasn't available to him without delays in his treatment, and so he went ahead with the surgery under the NHS.

Whilst Mr C might have preferred to have paid for the surgery privately (and could have done so since the serious illness payment had been paid before he had his surgery), it seems there was no delay in his treatment.

Mr C has set out what happened following his surgery, and how he has had to fund immunology treatments privately. He thinks this is due to NHS waiting lists, mistakes and a lack of expertise at one of the hospitals where he received treatment. He thinks that if he'd had the option of private care for his surgery and subsequent care, he wouldn't be faced with these costs and possibly could have had a different medical outcome. I'm sorry to hear of what Mr C has been through, but I don't find that Prudential was responsible for this.

Income protection claim

Prudential asked Mr C for both medical and financial information in February 2024. This was provided in February and March 2024. At the end of March 2024, Prudential wanted further clarification from Mr C in respect of his financial information. The two parties had a phone call in April 2024 and discussed Mr C's medical history and financial information.

In early May 2024, Prudential asked Mr C for information he'd already provided. Soon after Prudential advised Mr C his serious illness claim had been authorised, and wrongly told him that his plan had been placed 'out of force'. Though I see this didn't delay matters as Prudential continued with its assessment of Mr C's income protection claim. It confirmed to him on 11 June 2024 that the policy had been reinstated and apologised for this.

Prudential advised Mr C in June 2024 that it needed more financial information. Then on 16 July 2024, Prudential told him that the income protection claim had been admitted, however it needed to consider how his expected dividends might affect the claim going forwards.

Prudential later confirmed to Mr C that it would deduct dividends as a continuation of income. It asked him for some further financial information. Mr C responded to say that Prudential had assumed (presumably wrongly) he would be taking dividends out of his company. Though I note he did tell Prudential in January 2024 that he would receive some dividend payments.

Mr C provided Prudential with the further financial information asked for on 31 July 2024, and Prudential advised him in August 2024 that his claim had been accepted. It then told him the amount that would be paid to him, which was incorrect, though I note this was corrected the following day. I understand the backdated payment was made to Mr C on 29 August 2024.

Mr C is correct that Prudential has an obligation to comply with the principles set out in the Consumer Duty that was introduced by the Financial Conduct Authority (FCA). This sets a higher standard for firms in respect of how they interact with their customers and applies to events from 31 July 2023. The Duty requires firms to identify and support customers who are vulnerable. I've taken this into account, together with the FCA's guidance for firms on the fair treatment of vulnerable customers, when deciding whether Prudential did enough to support Mr C during the claim.

Prudential already accepts that it took too long to progress Mr C's claim. I can understand Mr C's frustration with Prudential's handling of his claim. In addition to the time taken, Prudential went back to him several times for more information. He had to deal with this whilst also undergoing treatment for his condition. Though it's also the case with income protection claims, that once information has been provided to an insurer and assessed, this can then raise further queries for an insurer which need to be addressed before a claim is accepted. So I've taken this into account too.

Prudential also made some unnecessary errors with the claim – it told Mr C that his policy had ended, it asked him for information he'd already provided, and it told him the wrong claim amount.

Overall, it's clear to me that Prudential ought to pay compensation for its handling of Mr C's claim. I've considered this further below.

Mr C says that because of Prudential's delay in paying his income protection claim, he had no option but to drawdown on his pension. He says this meant his entitlement to make pension contributions reduced from £60,000 to £10,000 a year.

The annual allowance that can be paid into a pension and receive tax relief is £60,000. However, if someone starts accessing their pension then the limit is reduced to £10,000 (known as the Money Purchase Annual Allowance or MPAA).

Mr C has provided a drawdown statement which refers to a pay date of 13 March 2024 where he withdrew £13,000 from his pension. He therefore triggered the MPAA at this time. I note he told Prudential in March 2024 he'd planned to make another drawdown in April 2024. Prudential hadn't caused any delays at this point, and so it seems to me that Prudential had no impact on Mr C's ability to receive tax relief on his pension contributions.

Compensation

Although Mr C had initially accepted £250 compensation for Prudential's handling of his serious illness claim, he has asked this service to take into account Prudential's handling of both his claims.

I've therefore considered the total compensation payment that Prudential has offered for its handling of both claims. Having done so, I find that total compensation of £700 was reasonable. Mr C was in a particularly vulnerable situation at the time, and I don't think Prudential took this into account. Whilst I appreciate Prudential needed the information it requested from Mr C in order to assess the income protection claim, I think it could have been clearer about what it needed from him and limited the number of times it went back to him for more information. I also think Prudential's errors with his income protection claim would have caused Mr C unnecessary frustration.

My final decision

My final decision is that I uphold this complaint and require The Prudential Assurance Company Limited to pay Mr C total compensation of £700 (less any payment already made)*.

*Prudential must pay the compensation within 28 days of the date on which we tell it Mr C accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 24 March 2025.

Chantelle Hurn-Ryan
Ombudsman