

The complaint

Mr S complains about the settlement paid by Unum Ltd under his critical illness claim. He also complains about Unum's handling of his claim.

What happened

Mr S took out a critical illness policy with Unum in 2007, the aim of which was to pay benefit of £100,000 in a critical illness event.

After Mr S made a claim under the policy, Unum initially turned this down. However, after Mr S appealed against the claims decision, Unum considered further medical evidence and agreed to pay the claim.

Unum paid Mr S £100,000 settlement. Mr S was unhappy with this settlement amount and Unum's handling of his claim. He said he had understood that his benefit of £100,000 would increase each year in line with the Retail Prices Index (RPI).

Unum accepted that it had made some mistakes in its handling of the claim, and offered Mr S compensation of £750 for this. However, Unum said the £100,000 settlement was correct as Mr S had not selected increasing cover when taking out the policy. Mr S brought a complaint to this service about the matter.

Our investigator recommended the complaint be upheld. He thought Unum had led Mr S to understand that his cover would increase each year in line with the RPI. He therefore recommended that Unum recalculate the claim settlement as if Mr S had taken out increasing cover, and deduct the higher cost of this from the settlement.

Our investigator agreed with Unum that it had caused unnecessary delays requesting further medical evidence. However, he thought the £750 compensation Unum had offered Mr S was reasonable in the circumstances.

I issued a provisional decision on 12 July 2023. Here's what I said:

'Unum provided Mr S with an illustration dated 19 January 2007. This said the cover would increase each year in line with the RPI. It also said the premiums would be £35.52 per month, and if he increased his cover, the premium would go up to pay for this.

Unum then received Mr S's application, also on 19 January 2007. This was submitted via Mr S's financial adviser. The application gave three options – level cover, increasing cover, and reducing cover. Level cover was selected.

Unum wrote to Mr S on 21 February 2007 with the terms it was prepared to offer him. It confirmed the benefit amount was £100,000, and said the automatic increase option did not apply. It stated the monthly premium would be £51.21, and confirmed an extra premium had been included to cover risks relating to his medical history. It asked Mr S to confirm if he accepted its offer. Unum has confirmed Mr S's financial adviser called it on 19 March 2007 to accept the offer on Mr S's behalf.

Unum wrote to Mr S on 24 April 2007 to provide his policy schedule and terms and conditions. The policy schedule confirmed the benefit amount was £100,000, and would cost £51.21 per month. The schedule stated that the automatic increase option did not apply.

I agree the illustration could have been clearer. It says that cover will increase each year in line with the RPI, but it should have made it clear this would only happen if increasing cover were taken out. However, an illustration does not form part of the policy terms. Although Mr S has described this as an offer, the offer was contained in Unum's letter of 21 February 2007. The terms of the cover then taken out was confirmed in the policy schedule and policy document.

The offer letter and policy schedule both made it clear that Mr S didn't have increasing cover. Unum arranged level cover because that was selected in the application form.

The illustration explained that if increasing cover was selected, then the premium would also go up to pay for the additional cover. Although Mr S's premium did go up from the amount quoted in the illustration, Unum explained to him that this was because of his medical conditions, and did not lead him to believe this was due to him having increasing cover.

Our investigator thought the application form was not clear because it did not explain what was meant by level cover, increasing cover and reducing cover. However, I don't think the application needed to provide an explanation about this. I say that because Mr S had a financial adviser who arranged the cover for him and ought to have known what those options meant.

As Mr S had a financial adviser acting for him, the adviser should have established with Mr S what type of cover he wanted. If Mr S has any concerns about the sale of the policy, he should raise these with the adviser.

Ultimately, Unum arranged the cover that was selected by Mr S's financial adviser on his behalf. I therefore don't require Unum to increase the settlement amount as if Mr S had taken out increasing cover.

I've also considered Unum's handling of Mr S's claim. After Unum declined Mr S's claim initially, he appealed against its decision. In doing so, Mr S confirmed that he'd seen a specialist again who thought his health had deteriorated. Unum decided to contact that specialist for further information, but there was a delay of six to seven weeks before it did so.

Mr S has explained how difficult things were for him whilst he was waiting for Unum to assess his claim. I'm glad that Unum has recognised the impact its delay caused, and offered Mr S £750 compensation for this. I agree with our investigator that this amount was reasonable in the circumstances, and was fair compensation for Unum's handling of the matter. It doesn't appear that Unum caused any other unnecessary delays in its handling of the claim – some of the delays were due to third parties, and it seems that Unum kept Mr S up to date about this.'

I asked both parties to provide any further comments they wished to make before I reached a final decision.

Unum responded to say it accepted my provisional findings.

Mr S didn't provide any further comments for me to consider.

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.

As neither party has provided any further comments, I see no reason to change my provisional findings. I remain satisfied that Unum has paid the correct settlement under the claim, and that its offer of £750 compensation for its handling of the claim was reasonable.

My final decision

My final decision is that Unum Ltd has already made an offer to pay £750 to settle the complaint and I think this offer is fair in all the circumstances.

So Unum Ltd should pay £750 if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 23 August 2023.

Chantelle Hurn-Ryan
Ombudsman