

## **The complaint**

Mrs P complains about Great Lakes Insurance SE's decision to decline a claim made under her pet insurance.

## **What happened**

Mrs P has been represented in making this complaint by a family member. For ease of reference, I'll simply refer to Mrs P throughout this decision.

The background to this complaint is well known to both parties, so I'll provide only a brief summary here.

Mrs P has pet insurance underwritten by Great Lakes to cover her dog. She took out the policy in 2021 and renewed it in July 2022.

The policy differs from many other pet insurance policies in that it has an "annual excess" rather than an excess which is paid with each separate claim. The annual excess in Mrs P's case was £69.

In September 2022, Mrs P made a claim for £56.86. And in October 2022, she made a claim for £65.74.

Both claims were declined by Great Lakes' agents on the basis that they didn't exceed the annual excess of £69.

Mrs P wasn't happy with this and complained to Great Lakes. She thought the £69 excess had in effect been paid – with the first declined claim and a small part of the second. And she said claims had been settled on that basis in the previous policy year.

Great Lakes explained that the policy terms work in the following way – the excess is only considered to be paid when there is a successful claim (and that claim is higher than the £69 excess). After that, there is no excess on any further claims.

But where claims are lower than the excess, and so not successful claims, the excess is not considered to have been paid. The policyholder has, in other words, simply paid for treatment or medication which falls below the claim threshold.

Great Lakes said the previous policy year's claims had been paid in error. But they said that had been their responsibility, so they weren't looking to reclaim the money from Mrs P.

Mrs P wasn't happy with this and brought her complaint to us. Our investigator looked into it and didn't think Great Lakes had done anything wrong.

Mrs P disagreed and asked for a final decision from an ombudsman.

## **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.

There's no dispute in this case about what the policy terms say. It's clearly set out that Great Lakes will expect policyholders to pay an annual excess of, in Mrs P's case, £69. And that after that excess is paid, there will be no further excess charges during the rest of that policy year.

I know this will disappoint Mrs P, but I don't think it's unfair of Great Lakes to deal with the claims in the way they have.

I can see how and why Mrs P may have thought that payments for treatment she made, below the £69 threshold, would count towards it. But that's not what the policy terms say.

In essence, you only pay an excess when a claim is settled. In that case, you, the policyholder, pay the excess and the insurer picks up the bill for the remainder of the costs.

But if the insurer isn't settling the claim because it's below the threshold, then you haven't paid an excess. You've paid for the treatment, but you haven't paid an excess.

I realise this relies on policyholders having an understanding of what the term "excess" actually means. But on balance, I don't think it's unfair for Great Lakes to rely on customers having that understanding.

I understand Mrs P's point that a fuller explanation might have been given in the policy terms. But I also note that when you purchase a policy from Great Lakes, as Mrs P did, there is an option to click on a link which takes you to a fuller explanation of how the annual excess works. This document makes it clear that the annual excess is only "cleared" when a successful claim is made.

I have considered the fact that Great Lakes settled claims in the previous policy year on the basis that smaller (unsuccessful) claims *did* count towards the annual excess being paid.

Great Lakes have explained that was an error. And it is true to say that Mrs P benefitted from that error and hasn't been asked to pay that money back.

However, I can see that there might be an argument that Mrs P has now suffered disappointed expectations as a result of Great Lakes' previous error and/or that she may have renewed the policy on the basis of a misunderstanding caused by Great Lakes' error.

On balance though, I don't think compensation for those disappointed expectations and/or potentially "misinformed" renewal is justified in this case. I'll explain why.

To begin with, Mrs P did in fact benefit from the previous error and Great Lakes have – quite rightly – accepted that and allowed it to pass.

Secondly, Great Lakes' annual excess in fact clearly does bring benefits for customers like Mrs P. In policies which have an excess for each claim, that excess is paid by the policyholder every time they make a (successful) claim. Whereas, with Great Lakes' policy terms, you pay the excess only once and all remaining claims in the policy year are fully met.

Mrs P's representative sent us some examples of other pet insurance policies and how they set out the excess(es) payable by the policyholder. I understand that the main aim of that was to show that excesses were better explained by other providers (though I note they were mostly, if not entirely, policies with the more traditional excess per each claim, which is fundamentally simpler – and easier to explain).

But what they also show is that excesses can vary (depending on how large you want your premiums to be), but the £69 annual excess in Mrs P's policy isn't significantly higher than most excesses paid on every single claim in other policies.

In other words, the annual excess is not a ruse used by Great Lakes to "trick" customers into buying policies with the promise of benefits which aren't in fact ever realised. It's a genuine option which may be of real benefit to many customers.

On balance then, I don't think it's justifiable to say Mrs P only renewed her policy with Great Lakes because of the error they made in the way they'd settled claims in the previous year.

In other words, even if Mrs P had known in July 2022 how Great Lakes really dealt with the annual excess payment, it's by no means clear she could have then sought out a policy which better suited her needs.

Mrs P will realise that with most of the policies her representative quoted to us, the small claims she made in September and October 2022 would not have cleared the excess and would not have been settled. And the excess would have remained payable on every single claim she made after that point too – whether or not any of those claims were successful.

By contrast, Great Lakes would stop charging an excess after the very first instance of a successful (large enough) claim being made.

I fully understand why Mrs P raised this complaint with Great Lakes and then with us. But I can't reasonably conclude that Great Lakes have treated her unfairly or unreasonably in the way they've handled her claims in the policy year beginning in July 2022.

### **My final decision**

For the reasons set out above, I don't uphold Mrs P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 16 August 2023.

Neil Marshall  
**Ombudsman**