

The complaint

Miss A has complained about the way that Covea Insurance plc has handled a claim for unemployment that she made on her mortgage payment protection insurance policy.

What happened

Miss A was made redundant on 8 April 2022 and so made a claim on the policy, which was accepted by Covea. However, Covea deemed that the claim would be payable from 6 August 2022 to take account of a period when Miss A was receiving pay in lieu of notice (PILON) from her employer and the 30-day qualifying period.

As Miss A was signed on as unemployed from April 2022, she believes that the claim should be payable from 30 days after her last day at work.

Our adjudicator thought that Covea had acted reasonably in assessing the claim. Miss A disagrees with the adjudicator's opinion and so the complaint 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.

When Miss A was made redundant on 8 April 2022 she was given three months' notice, but she was not required to work that notice and was instead given three months' pay in lieu. The policy defines unemployment as:

'Having no paid work or temporary work and having a Jobseeker's Agreement with the Department for Works and Pensions in the UK....'

Miss A says her circumstances met the definition of 'unemployment' from the beginning of April 2022 and so the claim start date should be 8 May 2022.

However, the policy also states that:

'If you have been paid or are entitled to be paid in lieu of notice any claim for unemployment, including the qualification period, will not start until the end of the notice period.'

Whilst Miss A most probably met the definition of being 'unemployed' in April 2022, individual clauses in the policy can't be looked at in isolation. The policy is very clear that periods of PILON will not be covered.

Miss A has talked about the three months' pay as 'redundancy money'. But the letter I've seen from her employer makes it clear that this is a PILON payment as opposed to a redundancy or severance payment.

The intention of unemployment insurance is to provide cover if a policyholder has lost their job and is no longer in receipt of an income. So, the significant factor here is not the date that Miss A was made redundant, it's the date that she was paid up until – the same as if she had been asked to actually work her notice.

Based on the available evidence, I'm satisfied that Miss A was paid PILON by her former employer which effectively provided her with an income up until 7 August 2022. It then follows on that, given the 30-day excess period, the deferred period was correctly assessed as expiring on 6 August 2022.

Overall, I'm satisfied that Covea has acted fairly, in line with the policy terms and conditions, in assessing the start date of the claim.

My final decision

For the reasons set out above, I do not uphold Miss A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 24 August 2023.

Carole Clark

Ombudsman