

## **The complaint**

Mr S complains about the way that HSBC Life (UK) Limited has handled a claim he made on a group income protection insurance policy.

Mr S is represented by Mrs S.

## **What happened**

Mr S was insured under his employer's group income protection insurance policy. In February 2020, Mr S made an incapacity claim on the policy, which was accepted. HSBC Life paid monthly benefit to Mr S' employer in line with the contract terms, which was then passed on to Mr S by his employer through its payroll. The claim remained in payment.

In February 2022, Mr S' employer gave him 12 weeks' notice. HSBC Life continued to pay Mr S' employer monthly benefit during Mr S' notice period. Once Mr S' employment ended, HSBC Life switched to paying Mr S benefit directly.

Mr S was unhappy with the way HSBC Life had handled his claim. His employer had continued to pay Mr S during his notice period. Mr S considered this to be statutory notice pay, which he was legally entitled to from his employer and which was separate from incapacity benefit. He considered that the policy terms entitled to him to monthly incapacity benefit from HSBC Life, as well as his notice pay from his employer. So Mrs S asked us to look into Mr S' complaint. She questioned why HSBC Life had paid Mr S' employer incapacity benefit during Mr S' notice period, when it ought to have been aware that Mr S' employer wasn't passing the benefit on to him.

Our investigator didn't recommend that Mr S' complaint should be upheld. He was satisfied that HSBC Life had paid monthly benefit to Mr S' employer during the notice period. And he considered that as Mr S' employer had been the policyholder during Mr S' notice period, it had been reasonable for HSBC Life to pay benefit to the employer at this point. He also felt that as Mr S had received his full salary during the notice period, if further incapacity benefit had been paid on top, Mr S would've been financially advantaged by the claim. So the investigator didn't think HSBC Life needed to do anything more.

Mrs S disagreed. She queried why Mr S' employer had been able to keep the benefit HSBC Life had paid to it. She considered the policy benefit ought to have been paid to Mr S directly. She felt that Mr S' employer was off-setting his statutory notice pay with the incapacity benefit. She maintained that under the contract terms, Mr S was entitled to both notice pay and incapacity benefit. She felt that HSBC Life hadn't ensured that Mr S received incapacity benefit – instead, it had supported his employer in keeping the money.

The complaint's been passed to me to decide.

## **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.

Having done so, whilst I'm very sorry to disappoint Mr S, I think HSBC Life handled his claim fairly and I'll explain why.

First, I'd like to reassure Mr S that while I've summarised the background to this complaint and Mrs S' detailed submissions to us, I've carefully considered all that's been said and sent us. In this decision though, I haven't commented on each point Mrs S has made and nor do our rules require me to. Instead I've focused on what I think are the key issues.

Next, I must make the parameters of this decision clear. HSBC Life is the insurer of the policy and it's responsible for ensuring that Mr S' claim is paid in line with the policy terms. It *isn't* responsible for anything Mr S' employer did, or for any information set out on Mr S' payslips during his notice period. Critically, it isn't responsible for any decision Mr S' employer made as to the allocation of the benefit HSBC Life paid it during Mr S' notice period. This includes whether or not the employer used the benefit to pay Mr S' salary during the notice period. These are all complaint points Mr S really has about his employer – which wasn't HSBC Life – about whether it correctly paid him during his notice period, in line with its own employment policy. I can't look into any concerns Mr S has about his employer and whether it correctly paid him in line with his employment contract and employment policies, as these aren't regulated financial activities. My decision is necessarily limited to deciding whether HSBC Life handled the claim in line with the *insurance* contract terms and conditions.

It's clear that, in 2020, HSBC Life accepted Mr S' claim and began to pay monthly incapacity benefit to his employer, which was passed on to Mr S through his monthly pay. This is in line with the contract terms, which say: *'For the first 24 months, the benefit will be paid via the (employer's) payroll.'* The policy then states:

*'If you continue to satisfy the own occupation definition of incapacity after the 24-month point, your employment may be terminated and you will receive the...benefit payment directly from the insurer...'*

After 24 months had elapsed, Mr S' employer put him on notice that his employment would end 12 weeks later. The contract indicates that once employment *has* ended, HSBC Life will pay benefit directly to a policy beneficiary. That's what happened here – after Mr S' employment ended in May 2022; HSBC Life switched to paying him directly. Prior to that date though, I don't think it was unfair, unreasonable or inappropriate for HSBC Life to continue to pay monthly benefit to Mr S' employer in line with the terms of the insurance contract. I've seen evidence that monthly benefits payments were made to Mr S' employer by HSBC Life during Mr S' notice period.

Mr and Mrs S feel strongly that the policy terms suggest that Mr S is entitled to incapacity benefit, as well as notice pay. In my view, this point is really a concern about the employer's allocation of the monthly benefit it was paid by HSBC Life during Mr S' notice period. I say that because HSBC Life *did* pay the applicable incapacity benefit to the employer during Mr S' notice period. For completeness though, I've thought about whether HSBC Life has incorrectly calculated monthly benefit. The relevant term Mrs S has referred to is set out on page six of the policy, which details maximum benefit cover. HSBC Life has set out a list of types of income which it might take into account when assessing what the monthly benefit amount should be. This includes:

*'Any continuing income from (employer), including but not limited to, salary and sick pay and excluding any payment made during a formal period of notice.'*

This term simply means that HSBC Life won't take into account any payment made during a formal period of notice when it calculates the monthly benefit due. As such, HSBC won't reduce monthly benefit due to any payments made by an employer during a policy beneficiary's formal notice period. Based on the evidence I've seen; HSBC Life didn't reduce the monthly benefit payment during Mr S' notice period. So I'm satisfied HSBC Life settled the claim in line with the policy terms.

I sympathise with Mr S' position, as I appreciate he is very unwell and that he's been through a difficult time. But overall, I find that HSBC Life has handled Mr S' claim fairly and in line with the terms of the insurance contract. So it follows that I'm not directing it to pay anything more.

### **My final decision**

For the reasons I've given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 4 September 2023.

Lisa Barham  
**Ombudsman**