

## **The complaint**

Mr S complains that Unum Ltd has turned down an incapacity claim he made on a personal income protection insurance policy.

## **What happened**

In 2012, Mr S took out a personal income protection insurance policy. In November 2022, he made an incapacity claim on the policy after he'd undergone spinal surgery.

Unum turned down Mr S' claim in December 2022. It said that in June 2018, Mr S' bank told it that his direct debit payment instruction had been stopped. So Unum said it had written to Mr S to let him know that it hadn't received payment. The letter said that he'd need to pay the outstanding premium by 14 July 2018, or the policy would be cancelled. As Unum had heard nothing more from Mr S, the policy had been lapsed with effect from 15 June 2018. Unum accepted though that it could have told Mr S that he didn't have a policy in place when he made the claim in November 2022. This would have avoided Mr S completing the claim form and providing supporting medical evidence. It apologised for the inconvenience this had caused him and the impact on him and it said it provided feedback to the relevant team.

Mr S was very unhappy with Unum's decision and he complained. He said he hadn't received Unum's letters, which had been sent by standard post, rather than recorded delivery. And he felt it should have done more to check whether he wanted to cancel the policy before taking the decision to lapse the contract in July 2018. Mr S said too that he'd contacted Unum in 2021 to look into making a claim and had been led to believe he'd have three years of cover. He asked us to look into his complaint.

Our investigator didn't think Mr S' complaint should be upheld. Briefly, he noted that the policy terms allowed Unum to cancel a policy if premiums were unpaid. He was satisfied that Unum hadn't been able to collect Mr S' premium in June 2018 and that it had written to him to make him aware of what had happened. He was also satisfied that Unum had sent Mr S a letter letting him know that the policy had been lapsed.

As there was no record of Mr S contacting Unum in 2021, the investigator didn't think he could make a finding on what had likely been discussed. And he felt Unum's apology for failing to check whether Mr S had a live policy before sending out a claim form was enough to put right its mistake.

Overall, the investigator was persuaded that Unum had acted in line with the policy terms and conditions and he didn't think it needed to do anything more.

Mr S disagreed and I've summarised his responses to our investigator. He maintained that he'd contacted Unum in 2021 about making a claim and had been told he couldn't claim on two policies. He said that he'd been sent a claim pack in November 2022, which had been very difficult for him to complete and he'd since lost access to Unum's online portal. He strongly felt that Unum should do all it could to ensure that a policyholder wanted to cancel their contract. He considered that his policy had been cancelled because Unum had reviewed the risk he posed and had decided it was too high. So he thought Unum had

falsified the 2018 letters to justify its position. He felt Unum hadn't taken any responsibility for its failings and had left him in a very difficult situation. And he believed things could have been resolved years ago if Unum had communicated effectively or sent letters by recorded delivery.

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 don't think Unum has treated him unfairly and I'll explain why.

First, I'd like to reassure Mr S that while I've summarised the background to his complaint and his detailed submissions to us, I've carefully considered all he's said and sent to us. I understand Mr S has been through a very difficult time and I was sorry to hear that he's been so unwell. Within this decision though, I haven't addressed each point Mr S has made and nor do our rules require me to. Instead, I've focused on what I think are the key issues.

The relevant regulator's rules say that insurers must handle claims promptly and fairly. And that they mustn't turn down claims unreasonably. So I've considered, amongst other things, the terms of Mr S' policy and the available evidence, to decide whether I think Unum has treated Mr S fairly.

I've first considered the policy terms and conditions, as these form the basis of Mr S' contract with Unum. Section three of the policy terms is called 'Premiums' and is set out on page eight of the contract. This includes the following terms:

- 'a) *Your plan begins on the start date and will continue as long as we receive the premiums shown in the plan schedule or in any written notification from us that the premiums have changed.*
- b) *Monthly premiums must be paid by direct debit on the dates they are due. We may terminate your plan with effect from the due date if you do not pay the premium on the due date.*
- ...
- e) *If, having missed a premium due date, you wish to reinstate your plan, you may do this up to 90 days after the date the last premium was paid. By paying us all the missing premiums and making arrangements for future premiums to be paid.'*

Mr S paid his policy premiums by monthly direct debit. I think Unum's policy terms make it sufficiently clear that monthly premiums must be paid when they're due, or the policy may be cancelled with effect from the due date.

Unum has provided us with evidence which shows that it was unable to collect Mr S' monthly premium in June 2018. It seems the direct debit had been stopped, although it isn't clear whether the direct debit was cancelled by Mr S, or the transaction simply couldn't be paid by his bank. I'm satisfied then that Unum has demonstrated that it couldn't collect Mr S' June monthly premium.

I've seen copies of the letters Unum sent Mr S following the missed premium. Both letters

were addressed to Mr S at the address Unum held on file – which is the same address Mr S has given to us. The first letter was dated 19 June 2018 and stated:

*'We have been advised by your Bank/Building Society that you have cancelled the Direct Debit Instruction in favour of Unum Limited.*

*If you wish to cancel your policy no action is needed - the policy will be cancelled on the date stated below. Alternatively, if you are changing your bank details, would you kindly complete and return the enclosed Direct Debit Instruction. In addition a cheque...is required for the outstanding June premium.*

*To ensure that cover remains in force we must receive your payment within the next 25 days. Please send us your cheque, together with the payment slip overleaf and the completed Direct Debit Instruction, in the pre-paid envelope provided.*

*We regret that the policy will be cancelled if we have not received the premium by 14 July 2018. This means you will lose the valuable protection provided by this policy.'*

As Unum didn't receive a response from Mr S, it lapsed the policy in line with the terms and conditions and it sent a follow-up letter on 15 July 2018, which stated:

*'Further to our letter of 19 June 2018 we note that we have not received a reply from you and as a consequence your policy has now been cancelled with effect from 15 June 2018.*

*If you wish to restart your policy...please do not hesitate to contact us on the above telephone number.'*

In my view, Unum clearly explained that if Mr S didn't make payment and send a new direct debit instruction, the policy would be cancelled. As payment wasn't received, Unum clearly told Mr S that the policy had been cancelled with effect from 15 June 2018. This was in line with the policy terms and conditions. And I think Unum was reasonably entitled to rely on the terms of the contract to cancel the policy. I appreciate Mr S feels that Unum falsified its records and these letters because it no longer wanted to insure him, but I've seen no persuasive evidence that this was the case. Instead, I'm satisfied that Unum cancelled the policy due to Mr S' non-payment of premium in June 2018 (or afterwards).

I appreciate Mr S feels that Unum should have done more to check whether he did want the policy to be cancelled. It's unfortunate that Mr S says he didn't receive Unum's letters, but as I've explained, they were addressed to the correct address on file for Mr S. I can't fairly hold Unum responsible if these letters weren't received. As Unum didn't hear from Mr S following its letter of June 2018, I don't think it was unfair for it to conclude that Mr S no longer wanted the policy and to proceed with cancellation. In any event though, we have no power to tell a business how to operate or to change its procedures and practices and so it wouldn't be appropriate for me to find that Unum should have sent the letters by recorded delivery or followed-them up by phone.

Mr S says he contacted Unum in 2021 to look into making a claim and wasn't told his policy had been cancelled. Unum says it can't find any record of Mr S calling at that time and I haven't seen any email evidence from around 2021 to show that Mr S got in touch. So while I don't doubt what Mr S has said, it would be difficult for me to find, on balance, that Unum did make any error at this particular point. Unum accepts though that it could have told Mr S that his policy had been lapsed in November 2022, when he called to make a claim. I agree that this would have prevented Mr S from going to the time and trouble of completing the claim form. Unum has apologised for its failure to tell Mr S upfront that he didn't have a live

policy and has provided feedback to the relevant team. I think this is a fair and reasonable response to put things right in all the circumstances.

Based on all the evidence I've seen, while I sympathise with Mr S' position, because I appreciate he's in a difficult and stressful situation, I find that Unum acted in line with its terms and conditions when it cancelled his policy in July 2018. This means therefore that unfortunately, there was no policy in force in 2022 when Mr S came to make an incapacity claim. And so overall, I don't think it was unfair for Unum to turn down Mr S' incapacity claim and I don't think it treated him unreasonably.

### **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 27 December 2023.

Lisa Barham  
**Ombudsman**