

The complaint

Mr and Mrs C have complained that Legal and General Assurance Society Limited (L&G) have declined to pay out on their life policy following Mrs C's terminal illness diagnosis because L&G say their policy doesn't include that provision.

What happened

Mr and Mrs C bought a decreasing cover life and critical illness policy in 2001. Mrs C subsequently bought a level term assurance life policy in December 2007, the term of which ended in December 2023. And in early 2008, Mr and Mrs C bought an additional decreasing term policy, which is set to continue until 2033. Neither of these policies included critical illness cover.

All the policies were bought from an insurer I'll call N. In summer 2009, N finalised the transfer of its policies to L&G. Information sent to customers at the time confirmed there would be no changes to the policy terms and conditions.

In about 2019, Mrs C was sadly diagnosed with cancer. She made a critical illness claim on the 2001 policy, which L&G settled in May 2019. The terms and conditions meant that policy then ended.

In 2023, Mrs C was advised her cancer was terminal. So she contacted L&G to make a claim. L&G declined the claim and told Mrs C her policies didn't provide for her to claim in these circumstances. Mrs C complained, but L&G maintained its stance. They said Mr and Mrs C had bought their policies from N and it wasn't for them to change the terms.

Mr and Mrs C brought their complaint to our service. They said that L&G provide free terminal illness cover on their policies as standard so thought it should be available to them.

Our investigator considered the complaint and concluded L&G didn't need to do any more to resolve it. She said this service can only ask L&G to consider a claim in line with the terms of Mr and Mrs C's policies. These provide for payment on the death of a life assured within the policy term, but not when a terminal diagnosis is received.

Mr and Mrs C didn't agree with the investigator's view. So I've been asked to make a final 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.

Having done that, I'm not upholding Mr and Mrs C's complaint. I know they will find that upsetting and I'm sorry about that. I hope it will help if I explain the reasons for my decision.

This complaint revolves around what has been referred to as "terminal illness cover". That phrase can be a little misleading because it isn't actually separate cover. It refers to the fact

that – subject to the claim meeting the criteria set out in the policy – L&G can pay the life cover benefit during someone’s lifetime, rather than waiting until they’ve passed away.

Mr and Mrs C’s position is that L&G offer this on all their life policies – so they should be able to take advantage of this. I understand why they would say that. But I have to consider the terms of their policies, not on what L&G made available to customers subsequently or what can be purchased now.

Mr and Mrs C bought their policies from N. The correspondence sent at the time these were transferred to L&G makes it clear there were no changes to the terms. So I’ve looked at N’s terms.

Both the level term and decreasing term policies require the policyholder dies before a claim is paid. For joint policyholders, payment is made on the first death. There’s no provision for payment to be made before this, on confirmation of a terminal diagnosis. The only reference in the policy to terminal illness is as a condition covered under the optional critical illness section.

Mr and Mrs C did have critical illness cover as part of the 2001 policy. But this ended after they made a claim following Mrs C’s cancer diagnosis in 2019. The later policies didn’t have critical illness cover – so there’s no provision under which L&G could consider Mrs C’s terminal illness claim.

Nor can I agree that L&G should provide cover because they didn’t make it clear the terminal illness cover was ended by Mrs C’s claim in 2019. The letter they wrote to her when they settled Mrs C’s claim says:

“As we’ve paid the claim on your policy, it’s no longer providing you with cover.”

The letter goes on to suggest that Mrs C might benefit from speaking to a financial adviser and includes an offer to put her in touch with someone who can advise. I don’t think its reasonable to say L&G should have done more.

I do appreciate Mrs C’s comments that her final months have been filled with worrying about what will happen to her family. I’m sorry that’s been the case and that my decision will also be unwelcome news. I can see she and Mr C still have a policy which I hope will provide some assistance when the time comes. But, for the reasons I’ve explained, I don’t think L&G need to do anything more now to resolve Mr and Mrs C’s complaint.

My final decision

For the reasons I’ve explained, I’m not upholding Mr and Mrs C’s complaint about Legal and General Assurance Society Limited.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr C and Mrs C to accept or reject my decision before 23 April 2024.

Helen Stacey
Ombudsman