

The complaint

Mr K is unhappy with the way in which he's been treated by Vitality Life Limited including withdrawing cover for life and serious illness insurance after he'd been told that cover had been put in place.

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here.

The facts aren't in dispute, so I'll focus on giving the reasons for my 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 so, I'm satisfied that Vitality should pay Mr K £300 compensation (in total) for distress and inconvenience together with a refund of the first monthly premium paid for the policies (together with simple interest at 8%). I'll explain why.

- Vitality has a regulatory obligation to treat customers fairly.
- Vitality accepts that it sent Mr K an incorrectly worded letter in October 2022 confirming that it had accepted his applications for life cover and serious illness cover. It explained, based on his medical history, it couldn't offer him serious illness cover. And although it could offer him life cover, this would be more expensive than initially quoted as there would be a premium loading applied. Having considered the evidence provided by Vitality I accept that it shouldn't have offered life cover on the terms it did, or serious illness cover.
- Vitality apologised for the incorrect communication and offered £150 compensation. I don't think this sum fairly reflects the distress and inconvenience experienced by Mr K caused by Vitality's error. I think £300 is reasonable to compensate him.
- Cover was in place for a couple of weeks, and he's had a monthly premium collected by Vitality. I accept it would've been very disappointing for Mr K to discover that he wasn't going to have serious illness cover, and life cover would be more expensive. Particularly as he'd cancelled similar policies with another insurance provider because of the cover he'd have in place with Vitality. So, there was a time when he thought he didn't have valid cover in place if anything had happened to him. I accept this would've been very worrying for Mr K.
- Thankfully, Mr K has been able to approach his previous insurance provider to reinstate cover with no break in protection. However, this would've caused him unnecessary inconvenience as he wouldn't have needed to do this if he'd been given the correct information by Vitality in the first place.
- Mr K says that the financial benefits of his previous policies aren't as high as the

cover Vitality had confirmed was in place. However, that offer was made in error and, based on the information Vitality had at the time, it shouldn't have agreed to offer him serious illness cover. And life cover should've been more expensive. I can, of course, understand his disappointment but Vitality shouldn't have offered him cover on the basis that it did.

- I know Mr K is also unhappy because it took a long time for cover to be offered by Vitality and he was required to obtain lots of medical information and undergo tests. Even, if Vitality hadn't confirmed cover in error, to decide whether to offer cover, Vitality is entitled to ask for information about Mr K's medical history and health. Depending on the applicant's medical history, this isn't an unusual thing for insurers to do when someone is applying for life and/or serious illness cover. So, I think this is something that would've happened even if Vitality hadn't given him the wrong information about coverage.
- Mr K did have to pay backdated monthly premiums to reinstate cover with his previous insurance provider. However, he would've continued paying the monthly premium for those policies had Vitality not given him the wrong information. So, I don't think it would be reasonable to hold Vitality responsible for this.
- Vitality still hasn't refunded Mr K the first monthly premium he'd paid for the serious illness and life cover, he'd been offered incorrectly by Vitality, around £112. It's recently confirmed that it will be doing so. As cover was put in place in error, Mr K has cover under his previous policies for the same period and Vitality has seemingly cancelled both policies it offered (as they shouldn't have been in place), I think it should refund the monthly payment with simple interest from the date on which it was collected, as Mr K has been without that money for too long.
- I also think receiving unnecessary reminders for monthly payments, and not refunding the first monthly premium earlier, has caused Mr K further distress.

Putting things right

I direct Vitality to pay Mr K:

- £300 compensation for distress and inconvenience (it can deduct the £150 it's offered to pay him if this has already been paid).
- the monthly premium paid for serious illness cover and life cover collected which is around £112, together with simple interest at a rate of 8% per annum from the date on which the amount was collected until the date on which it's refunded.

If Vitality considers it's required by HM Revenue & Customs to take off income tax from any interest paid, it should tell Mr K how much it's taken off.

It should also give him a certificate showing this if he asks for one. That way Mr K can reclaim the tax from HM Revenue & Customs, if appropriate.

My final decision

I partially uphold Mr K's complaint and direct Vitality Life Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 10 August 2023.

David Curtis-Johnson
Ombudsman