HMRC - IPTM8025 - Benefits Received Outside Policy And Free Gifts

Benefits received outside policy

If a policyholder receives benefits that are extrinsic to the insurance policy then that will not have a bearing on the qualifying status. Whether benefits are under a policy or not will depend on the contractual arrangements in the particular case.

One case is where commission in respect of the policyholder’s own qualifying policy is received, netted off or invested on the policyholder’s behalf and arises under a contract separate from the contract of insurance. If so, the two contracts will not be read in such way as to lead to loss of qualifying status. This was originally stated in SP4/97.

Another possibility is where, depending on the precise terms of the arrangement, a policyholder receives a sum on the demutualisation of the insurer in recognition of loss of membership.

True ‘ex gratia’ payments would be rare, as it can be expected that there is a commercial reason why an insurer is making the payments, and this will have implications for the contract. Again, each case would need to be considered on its facts.

Where an endowment policy has been mis-sold, there may be compensation paid to the policyholder in redress. In many cases, this will not constitute a benefit received under the policy but it depends on the particular facts and circumstances of the case and there are many possible ways in which compensation may be paid. IPTM2060 gives more guidance on this.

Free gifts

‘Free gifts’ that are provided in connection with a policy and that do not exceed £30 in total value are disregarded in testing whether the policy qualifies.

Further reference and feedback IPTM1013

Previous page

Next page