

The complaint

Mr and Mrs O are unhappy that Premier Financial Group Limited failed to change their landlord insurance to home insurance, resulting in their being unable to claim for any valuables stolen when they were burgled.

What happened

Mr and Mrs O lived in a rented property. They owned another property which they rented out. In 2014 they decided to move into the property they had previously been renting out. They took out a remortgage through Premier who acted as their mortgage adviser. Premier carried out an assessment of their insurance needs so that their current Landlord's policy might be changed to a home, buildings and contents policy. A personal illustration was drawn up and the remortgage was completed. But the insurance proposal was never completed. So Mr and Mrs O continued to have a landlord's policy on their property, which didn't cover any high value contents.

In November 2018 Mr and Mrs O suffered a burglary at their home. Most of the items taken consisted of valuable jewellery, worth in the region of £48,000. They then discovered that their insurance didn't cover the loss of any of their high value contents. The insurer paid £2,500 for damage to the building.

Mr and Mrs O made a complaint to Premier, the premiums had kept on being taken from their bank account so they had thought the policy was in place.

Premier admitted that it should have got in touch with Mr and Mrs O to complete the changeover of the policy into a home policy. However it pointed out that Mr O never contacted it to confirm the insurance illustration. It established that Mr O had been in touch with the insurer to obtain a copy of the new policy. The insurer had sent renewal documents (for the landlord policy) and copies of the policy to Mr O's previous address but the occupier had failed to pass on anything to Mr O. It further pointed out that the illustration it had drawn up for Mr and Mrs O listed high risk items including valuables to a limit of £14,000 while their claim was for stolen jewellery worth in the region of £48,000. So they'd been substantially underinsured and hadn't sought to increase the valuables limit or check what it was.

On referral to this service our investigator said that whilst Premier was at fault for not contacting Mr and Mrs O to put the new policy in place Mr O had failed to chase up or check his policy. He proposed that Premier should just pay compensation of £200.

Premier accepted this. Mr and Mrs O did not, they pointed out that they had suffered a huge loss because of the failure to put the policy in place.

I issued a provisional decision. I thought that Premier should pay the £200 compensation, but for different reasons. I said that there was a big difference in the value of the contents and the amount of high value items advised to Premier when drawing up the quotation and the amounts claimed for. For that reason I thought it was unlikely that the claim would have been accepted even if the right policy was in place.

Premier advised that it had nothing further to add.

Mr and Mrs O didn't accept my decision. They pointed out that Premier had admitted making a mistake when setting up the new mortgage, by not setting up the new insurance at the same time. They didn't think it was fair to follow what Premier had set out in their paperwork.

The matter has been referred to me for further consideration.

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.

In my provisional decision I said:

"Premier should have contacted Mr O to follow up its quotation for the new policy. Mr O was an established client and they had acted for him in setting up his previous insurance. It also acted for him in the remortgage. It would be expected to follow up on such a quotation. It didn't do so, though it pointed out that it wouldn't have followed up on Mr O's mortgage for five years. It has admitted it made an error.

I can understand that Mr O would have thought that, Premier having drawn up the insurance illustration should have followed this through. And Mr and Mrs O continued to have the premiums taken from their bank account. There is some evidence that Mr O attempted to obtain a copy of the policy documents, which were sent by post to his old address and not forwarded. He didn't chase this up. Nevertheless I think he was entitled to believe the policy had been set up.

If a broker is at fault in not setting up a policy when it clearly should have, the appropriate remedy would be to require the broker to pay for any loss the consumer suffered by not having proper insurance in place.

Having said that I don't think Premier was at fault for Mr and Mrs O not succeeding in their claim for theft following the burglary of their home.

According to the illustration Premier drew up for Mr and Mrs O, it was set out that they wanted a limit of £14,000 for high risk items including valuables. It set out that the contents were worth £40,000, including high risk items. As I've said Mr and Mrs O's claim for valuables exceeded £48,000. Their total contents were assessed as being worth around £75,000. Either Mr and Mrs O had acquired a great deal of their jewellery after that quotation and failed to contact the insurer or Premier to update their policy or they failed to give a proper value to Premier. In either case if Mr O had contacted his insurer or Premier he would have been able to ensure that his insurance was up to date.

If Mr and Mrs O had made a claim for £48,000 with a £14,000 limit on their valuables they would have been underinsured by a huge amount. I think it would have been highly likely that the insurer would have voided the policy and considered it an unacceptable risk to have such a high proportion of valuables as a part of the total contents. This means that but for the error in not setting up the home policy, it's likely that none of the claim would have been paid and Mr and Mrs O would have an insurance avoidance placed against their record which would have affected their ability to obtain home insurance.

Premier was at fault for not following through with the insurance and Mr and Mrs O were clearly distressed when the insurer declined the claim on the grounds it did. For that I think it reasonable that Premier pay compensation of £200. But for the reasons I've set out above I

don't think it was responsible for Mr and Mrs O not being able to benefit from cover following the burglary."

I understand that Mr and Mrs O don't feel they should be bound by what was set out in the illustration document. I've rechecked the evidence in this respect. That document was drawn up following a meeting with Mr O and the information contained in it came from him.

Unfortunately nobody can say exactly what would have happened had the correct insurance been put in place. Bearing in mind that Mr O didn't chase up his new policy documents for over four years either through the insurer or Premier, I think it most likely that had the new policy been put in place it would have been one with the details from the illustration. And, as I've said in my provisional findings I think it likely that, in that event, because of the substantial degree of underinsurance, the insurer would most likely not have paid the claim.

So my provisional findings stand and now form part of this final decision.

Putting things right

Premier was at fault for not following through with the insurance and Mr and Mrs O were clearly distressed when the insurer declined the claim on the grounds it did. For that I think it reasonable that Premier pay compensation of £200. But for the reasons I've set out above I don't think Premier was responsible for Mr and Mrs O not being able to benefit from cover following the burglary.

My final decision

I uphold the complaint in part and require Premier Financial Group Limited to pay compensation to Mr and Mrs O of £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O and Mr O to accept or reject my decision before 16 October 2020.

Ray Lawley
Ombudsman