

The complaint

Mr T has complained that Cia Insurance Services Limited (CIA) mis-sold a landlords home insurance policy to him. Mr T claimed under his policy and received a reduced settlement as the building was underinsured.

What happened

Mr T bought a landlords insurance policy through a broker, CIA in January 2016. At renewal in January 2017, Mr T said he asked CIA to increase the Buildings Sum Insured (BSI) from £150,000 to £200,000. He accepts he didn't read the policy documents CIA sent him. But when he made a claim under the policy in December 2017, the insurer didn't meet his claim in full. Mr T says this is because the policy didn't provide enough cover as Mr T had underinsured the BSI at £154,500.

Mr T complained to CIA. In January 2020 CIA didn't uphold his complaint. It provided a recording of the calls between it and Mr T in January 2016 and at renewal in 2017. Unfortunately the call at renewal was corrupted. But CIA said that from the call at inception – and the policy documents it sent Mr T – it highlighted the need for Mr T to check the BSI was correct. And if it wasn't, it was for Mr T to contact CIA.

Mr T remained unhappy and asked us to look at his complaint.

Our investigator thought CIA hadn't been clear enough in the inception call in 2016. He thought that due to the way the call was handled, this led Mr T to underinsure his property and didn't alert him to the importance of correctly insuring the building. So he recommended CIA should pay Mr T the declined portion of his claim settlement that he didn't receive from the insurer due to being underinsured.

Mr T accepted the investigator's findings, but has asked if he would be entitled to interest on the settlement.

CIA didn't agree. It said its carried out further checks and discovered that the correct BSI for the property was £321,000. It accepts that Mr T gave a sum insured of between £150,000 and £200,000. But it advised Mr T if the sum was incorrect, he could contact it to increase the BSI.

So it says even if CIA had set the BSI at £20,000, Mr T was still well underinsured. And under the Insurance Act 2015, which applies to this commercial policy, the onus is on Mr T to make a fair presentation of the facts.

CIA has reiterated important information was highlighted in the policy documents at inception and at renewal, which alerted Mr T to check the BSI cover was adequate, and that this is his responsibility.

So for these reasons, CIA would like an ombudsman 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.

Under CIA's Terms of Business it says:

"We offer products from a range of Insurers for Commercial Business, Commercial Buildings, Landlords, Motor, Home/Contents and Travel....."

"We will advise and make a recommendation for you after we have taken details of, and assessed your needs. Our recommendation will normally be on the basis of the lowest premium for the cover you need."

So from CIA's Terms, I think it was a fair expectation of Mr T to believe that CIA had sufficient knowledge to advise and recommend a suitable landlord insurance policy to meet his needs.

In the key call from January 2016, Mr T called to purchase a policy through CIA. The agent asked Mr T what the rebuild cost of the property was? Mr T said he had no idea. He asked CIA what their 'normal' policy was.

CIA said every property is different and so they couldn't advise Mr T. However, the agent went on to say; *'What would you be happy to insure it for?'*

Mr T says he thinks he previously insured for around 1 million. CIA said, *'oh no you won't need that.'* Mr T then said; *'I would say 2 '*

Before Mr T finished, CIA asked Mr T what the market value of the property was. Mr T said it was around £120,000. The agent said:

"OK so when you're buying the property you're buying the land as well. So if it was costing a ridiculous amount more to build than to buy them, there'd be no point in them building them."

Mr T then said it wouldn't be more than £150,000, £200,000. CIA ask Mr T if he'd like them to quote at £150,000, and Mr T can increase it if he'd like to. Mr T said yes.

CIA is correct that in this case, the Insurance Act 2015 applies. And so as a commercial customer, he is a customer operating a business and the onus is on Mr T to make a fair presentation of the facts. However, I've kept in mind that although Mr T was a landlord for the residential property in question, it was clear that the BSI Mr T gave was nothing more than a guess. And in its role of selling insurance, I think CIA had a duty to ensure the information it provided was clear, fair and not misleading.

While CIA said it couldn't advise Mr T, I think the agent then went on to provide information which helped guide Mr T. I believe that Mr T was going to suggest a figure of at least £200,000, but CIA asked Mr T what the market value of the property was before he finished. I think the information provided by the agent that followed, led Mr T to re-evaluate his estimate and then suggest and agree to a lower figure of £150,000.

I appreciate that the agent said Mr T could increase this sum at a later date. However, the importance of providing an accurate BSI – and the responsibility and consequences of failing to do so – was highlighted in the policy documents CIA sent to Mr T. Yet at no time during the inception call did the agent explain to Mr T the importance of providing accurate information about the BSI or the consequences if this sum was inaccurate. I think the

discussion about the market value of the property and the land wasn't helpful. I don't think CIA did enough here to check the BSI was accurately recorded to meet Mr T's needs.

CIA sent Mr T his policy documents and I think they clearly highlighted that he was responsible for ensuring the BSI was correct. But in this case I think CIA failed in the inception call to impress on Mr T the importance of checking the BSI. So I don't think it's fair for CIA rely on the quality of its documentation alone – as the initial contact, which was the phone call, in my view led Mr T to the incorrect conclusion that he correctly insured his property.

CIA says that the correct BSI for Mr T's property was in fact £321,000. And so even if it had increased the BSI to £200,000 based on the initial call, Mr T would have still been significantly underinsured. But as I think CIA failed to alert Mr T to the importance of accurately checking the BSI in the inception call, I think on balance it's responsible for the fact Mr T was underinsured when he made a claim.

Mr T complained that during his renewal call he requested the BSI be increased. He said he was advised by CIA that the index linked increase to £154,500 would be enough for his needs. Unfortunately, this call recording is corrupt and so it isn't possible to evidence what was discussed. But based on all of the available evidence, I don't think CIA acted in a fair and reasonable way when it sold a policy to Mr T. I don't think it did enough to ensure Mr T was provided with a suitable product to meet his needs.

Putting things right

So I agree with the investigator's recommendations to put things right. And I think a fair outcome is for CIA to pay interest on the settlement sum(s) it pays Mr T from the date the insurer accepted his claim(s) to the date it pays him at a rate of 8% simple interest a year.

My final decision

For the reasons I've given above, my final decision is that I uphold this complaint. I require Cia Insurance Services Limited to pay Mr T the declined portion of his claim(s) settlement that he didn't receive from the insurer due to being underinsured.

Cia Insurance Services Limited should pay interest on this amount from the date the insurer accepted the claim(s) to the date Cia pays at a rate of 8% simple interest a year.

If Cia Insurance Services Limited considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr T how much it's taken off. It should also give Mr T a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 24 March 2021.

Geraldine Newbold
Ombudsman