

## **The complaint**

Miss T has complained about Ocaso SA, Compania de Seguros y Reaseguros's decision to pay only part of a claim she made for storm damage under her buildings insurance policy.

## **What happened**

Miss T bought a buildings insurance policy with the insure Ocaso through a broker via an online comparison website.

In June 2020 Miss T made a claim for storm damage. Ocaso instructed a Loss Adjuster (LA) to inspect Miss T's property. The LA advised the claim should be accepted. However, he said that the building sum insured – the amount to rebuild the property – was much lower than the estimated amount. Miss T had given a sum insured of £200,000 when she bought the policy. The LA gave a sum insured of £421,000.

In light of the LA's findings, Ocaso applied an 'average' condition of the policy. This meant that it agreed to pay only a proportion of the costs to settle Miss T's claim, as a percentage of the underinsured amount. So Ocaso said it would pay 47.5% of the claim costs.

Miss T was very unhappy with Ocaso's decision and so she contacted us.

Our investigator obtained a copy of the question Miss T was asked on the comparison website. She asked Ocaso if Miss T had been redirected to their site – and if so, was the question the same.

Ocaso didn't provide a reply, so in its absence the investigator form a view on the basis on the question asked on the comparison website – as this was the question Ocaso relied on to ensure Miss T didn't misrepresent any information.

Our investigator didn't think the question was clear enough. She didn't think Ocaso had given Miss T enough information to help her answer the question accurately. So she recommended Miss T's complaint should be upheld. She thought Ocaso should meet Miss T's claim in full – and pay interest on the balance of the settlement at 8% simple interest a year.

The investigator thought Ocaso should pay Miss T £100 compensation for the distress and inconvenience it had caused her.

Ocaso didn't agree. It says there are numerous methods of calculating the correct rebuild costs of a property and free online tools available to help a customer if they are unsure.

So Ocaso wants 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.

When we consider a complaint about underinsurance , we look at whether the question asks for the specific information an insurer wants to know - and also at how helpful it is for the consumer:

Ocaso hasn't provided anything to dispute the assumption the investigator made that it relied on the question asked on the comparison website. So this is the question I've considered in my decision.

Miss T was asked:

*"What would it cost to rebuild your house?"*

Guidance next to the question read: *"Exclude the value of your land. This is why the rebuild cost is typically less than the market value."*

Additional guidance read:

*"How can I find out? Your current home insurance policy documents may indicate the rebuild cost, as will a surveyor's report or mortgage valuation report from the last two years."*

Miss T said she had lived at the property for 16 years. Based on the guidance, she estimated the rebuild cost to be the market value of her home at £200,000.

The guidance continued:

*"Effect on your quote – Take care to estimate the rebuild cost correctly so that you are adequately covered and you do not pay too much on your premium. If you made a claim and your rebuild cost was too low, your provider may not settle the claim in full."*

We take into account that consumers aren't experienced in calculating such costs unless they happen to have knowledge in this area. So it can be difficult for them to estimate the cost of rebuilding a property. We therefore think it's only fair that an insurer should provide detailed information to help a non-expert calculate such an amount.

From the information provided, I don't think Ocaso did this. It didn't point Miss T in the right direction to help her reach an accurate figure – for example; by referring to the Building Cost Information Service (BCIS) calculator – or other rebuild calculators. It may well be common knowledge to Ocaso, but it isn't enough for an insurer to say that such information is out there without giving proper guidance to help customers.

The LA used a formula based on a cost per square metre of Miss T's property, and took into consideration its age and structure. They came to a building sum insured of £421,000, which was more than double the amount Miss T had estimated.

I don't know how Miss T could have known this is what Ocaso was looking for when it asked her to calculate the building sum insured. And I can reasonably understand why Miss T gave the sum insured of £200,000, based on the guidance by Ocaso that the rebuild cost is typically less than the market value.

I don't disagree with Ocaso that it explained what would happen if the rebuild cost was incorrect. But I don't think Ocaso has shown that it was fair to Miss T as it didn't provide sufficient information to help her to meet their requirements in order to answer the key question.

This means I'm upholding Miss T's complaint and I think Ocaso should meet Miss T's claim in full. And I think it should pay compensation for the distress and inconvenience it's decision caused her. I think Miss T was understandably worried at the prospect of having to find remaining funds to have the damage repaired. My remedies are set out below and in line with the investigator's recommendations.

### **My final decision**

For the reasons I've given above, my final decision is that I uphold this complaint. I require Ocaso SA, Compania de Seguros y Reaseguros to meet Miss T's claim for storm damage in full. If it settles by way of a cash settlement, it should pay interest on the amount – or difference if it's already paid a partial amount – at a rate of 8% simple interest a year from the date of the claim to the date it pays Miss T.

It should pay Miss T £100 compensation for the distress and inconvenience caused by Ocaso's decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 30 July 2021.

Geraldine Newbold  
**Ombudsman**