

The complaint

Mrs V's complaint is that Towergate Underwriting Group Limited mis-sold a Property Owners Insurance Policy.

What happened

- In 2018, Mrs V purchased a Property Owners Insurance Policy which was sold by Towergate. The policy covered three residential flats and the premises. Two of the flats were owner occupied by Mrs V and her husband. Mrs V asked Towergate to remove the loss of rent cover from the policy as she wasn't currently collecting rent from the third flat.
- In 2019, Mrs V made a claim on the policy for an escape of water. The property was deemed uninhabitable, so Mrs V made enquiries for alternative accommodation (AA). But she was told the policy didn't include AA cover as it was included in the loss of rent section she'd removed. So, Mrs V had to make her own arrangements for AA. Towergate attempted to liaise with the insurer to provide AA in the circumstances, but the insurer turned the request down.
- Mrs V complained to Towergate. She said the policy wasn't fit for purpose as there was no home emergency cover to deal with the initial leak. And she said she hadn't been made aware that removing the loss of rent cover also removed AA cover from the policy.
- Towergate didn't respond so Mrs V referred the complaint to our service.
- After investigating, our investigator concluded the complaint should be upheld because they were persuaded that Mrs V wasn't made aware that removing the loss of rent cover would also remove AA cover. And they concluded that this meant the policy she had bought was unsuitable for her needs. They didn't uphold Mrs V's complaint about the lack of home emergency cover as they couldn't see that this had been requested at the point of sale.
- Our investigator recommended Towergate compensate Mrs V for nine months AA costs to reflect a reasonable duration of the claim. They didn't conclude that Towergate should be held responsible for any avoidable delays with the claim as those would be due to the actions of the insurer handling it. Our investigator also recommended Towergate pay Mrs V £750 compensation for the distress and inconvenience caused from a lack of AA cover over the first nine months of the claim.

- Towergate doesn't agree because it says there wasn't a solution available to it which would have meant it could offer a policy with AA cover only. It accepted that AA cover wasn't discussed with Mrs V at the time the policy was sold, and said it was logical to not offer loss of rent cover as this would be something Mrs V couldn't claim for.
- Mrs V says that Towergate should be responsible for more than nine months loss of rent as the claim, and her overall costs are ongoing. She added that two of the three flats were uninhabitable so Towergate's responsibility for AA costs should be expanded to cover that.

The complaint has now been passed to me 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.

Having done so, I agree with the conclusions reached by the investigator for these reasons:

- Towergate sold Mrs V a policy on an advised basis. This means that it recommended Mrs V bought a particular policy based on what it knew about her circumstances. And Towergate had a duty to ensure that the policy it recommended was suitable for Mrs V's needs.
- I would therefore expect to see evidence that Towergate asked sufficient questions to establish that the policy it recommended was suitable. Or, if the policy it recommended wasn't suitable, it needed to make this clear to Mrs V, so that she could make an informed choice about whether to buy the policy.
- I've considered Mrs V's comments about the lack of home emergency cover on the policy. But I can't see that this was discussed before the sale or set out as a requirement on the statement of fact. So, I don't think Towergate have acted wrongly by not offering a policy with home emergency cover included.
- I've next considered the lack of AA cover on the policy. The crux of the issue here is that Mrs V didn't want loss of rent cover because she wasn't currently collecting rent from the premises. And so, Towergate offered a policy with this benefit removed. But the policy terms show that AA cover is only available under the same section as loss of rent. So, Mrs V's options were essentially limited here to either having *both* loss of rent and AA covered, or *neither*.
- Towergate knew that Mrs V lived in the property. And that she was using at least two of the three flats for her and her husband as owner occupiers. So regardless of the status of the third flat, it's clear that a suitable recommendation to Mrs V would include AA cover in the event her property became uninhabitable.
- I don't agree that Towergate needed to find a solution or product that provided AA cover only. It simply needed to make Mrs V aware that in removing the loss of rent cover, she was also removing AA cover so she could make an informed decision.
- Mrs V has provided some detailed testimony about her circumstances. And the evidence shows that she was fairly engaged with the sale process in making sure the policy was suitable for her needs. So, I am persuaded that had Towergate made Mrs V aware of this restriction in cover, she would've acted differently to ensure she bought a suitable policy.

- It's clear that Towergate's error has had a large impact on Mrs V, as she's been left without AA cover when she needed to claim. So, I think it is only fair that Towergate pays for reasonable AA costs that Mrs V has incurred.
- I've carefully considered Mrs V's comments in deciding what I think reasonable costs would amount to here. And I am aware that she has incurred additional costs as a result of the overall duration of the claim. But I can't fairly hold Towergate responsible for this – as our investigator has already explained this would be down to the actions of the insurer handling the claim and would need to be dealt with as a separate matter with them.
- Having considered the most likely duration of the claim, and taking into account some additional months linked to the start of the Covid-19 global pandemic in March 2020, I find that nine months AA costs are a reasonable and proportionate amount to redress the errors of Towergate here.
- If Mrs V accepts my decision, I would expect to see Towergate work with the insurer to ensure this amount is a fair and reasonable reflection of the costs Mrs V would've been entitled to over the first nine months of the claim. Towergate should base these costs upon the existing insured premises and the location of the most likely appropriate short-term lets. And Towergate should also take into account that Mrs V was using two of the flats as owner occupied due to her family circumstances.
- Mrs V was also caused a significant degree of distress and inconvenience because her claim for AA was turned down. So, I find that the award of £750 compensation proposed by our investigator is a fair and reasonable amount to reflect this.

My final decision

My final decision is that this complaint should be upheld. In order to resolve Mrs V's complaint, Towergate Underwriting Group Limited is required to:

- Pay Mrs V compensation equivalent to nine months of reasonable alternative accommodation costs. This sum should match the value that Mrs V's insurer would've paid to source a local and appropriate short term let property.
- Pay 8% simple interest on the above sum, backdated to the start date of the claim, until the date of settlement.
- Pay Mrs V £750 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs V to accept or reject my decision before 10 March 2022.

Dan Prevett

Ombudsman