

The complaint

Mr S says Xbridge Limited didn't provide accurate information about a tenant default insurance policy he took out through it. And that led to a subsequent claim he made on the policy being declined.

What happened

Mr S is a landlord. In July 2016 he took out a 'Landlord Legal Solutions' policy through Xbridge. That included 'tenant default' which covered unpaid rent owed by a tenant for a set period. The policy renewed in subsequent years.

In September 2019 Mr S contacted Xbridge to discuss what checks he needed to carry out on a new tenant. The following February Mr S made a claim on his policy because a tenant had stopped paying rent. The insurer turned down the tenant default element of the claim because it said a guarantor should have been in place for the tenant and wasn't. And the tenancy shouldn't have been granted if there were any doubts about the integrity or financial standing of the tenant. We've considered a separate complaint about that. Another ombudsman concluded the insurer acted fairly in turning down the claim.

Mr S said the policy wording which applied when he took the policy out didn't say a guarantor was required. When he made his claim he was sent new wording which said it was but Xbridge never told him about this. And during his call with it he wasn't told the tenant needed to pass a credit check, only that this needed to be carried out. He thought Xbridge was responsible for the decline of his claim.

Our investigator agreed the policy wording as it related to guarantors had changed and wasn't satisfied Xbridge provided Mr S with correct policy information at renewal or drew his attention to this. And she agreed Xbridge could have given Mr S clearer information when he contacted it in September 2019.

But she didn't think Xbridge was responsible for Mr S's claim being turned down. That's because the terms relating to the financial standing of a tenant hadn't changed and the insurer had also relied on this to turn down the claim. However, she accepted Mr S had been caused some inconvenience by what Xbridge got wrong and recommended it pay him £100 in recognition of that.

Xbridge agreed to do so. Mr S didn't agree. He said the policy as sold to him didn't say a tenant had to pass a credit check or have a guarantor. And Xbridge didn't provide clear information on this when he called to discuss the checks that were required. So I need to reach a final decision.

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.

Xbridge says this was a non-advised sale. I understand Mr S took out his policy online without the involvement of an adviser so I think that's likely to have been the case. Under the relevant rules, it didn't need to ensure the policy was suitable for him. But it did need to provide him with clear, fair and not misleading information so he could decide for himself if the policy was right for him.

I don't think it's in dispute Mr S was provided with the correct information when he took the policy out. So I think he would have been aware of the requirements as they relate to tenancy referencing when doing so (and he hasn't suggested otherwise). His argument is he wasn't made aware at a subsequent renewal those terms had changed, in particular as they relate to the requirement for a guarantor to be in place.

I'm satisfied there was a change in wording. The policy Mr S took out said that prior to granting the tenancy he must obtain satisfactory references for the tenant from:

- a) *a previous managing agent or*
 - b) *previous landlord, and*
 - c) *an employer or (other financial source), and*
 - d) *a credit history check (including County Court Judgments, the Enforcement of Judgments Office and bankruptcy)*
- where a guarantor is required only items c) and d) above will apply to the guarantor.*

However, while the policy which applied to the claim he made in February 2020 contained similar referencing conditions it clarified that where these could not be met in full a guarantor would be required.

And while Xbridge told us that at renewal Mr S was sent a link to the policy wording it hasn't been able to evidence this was to the revised wording. So I can't be satisfied Mr S was given appropriate information about the policy at renewal or that this change was properly drawn to his attention.

I've also listened to the phone call Mr S had with Xbridge in September 2019. In that Mr S queried what level of credit check was required to meet the policy terms (whether this should be a standard or a comprehensive check). The adviser said the level of check wasn't specified but that it did need to be satisfactory. However, he didn't explain the circumstance in which a guarantor would be required.

But, even if more information should have been provided on this, I don't think Mr S has lost out because it wasn't. I accept it's possible if he'd been made aware of the requirement for a guarantor he could have put this in place. However, that isn't the only reason the insurer declined his claim. It's also relied on a policy term which says you must "*not grant the tenancy if you are in any doubt of the integrity or the financial standing of the tenant or their guarantor*". It didn't consider that term had been met. That term didn't change during the time Mr S had the policy and I've already concluded Xbridge provided Mr S with information at the point of sale which should have made him aware of it.

Mr S also argues the policy he took out doesn't say the tenant has to pass a credit check and he wasn't told this when he contacted Xbridge. The original policy doesn't say that but it does refer to satisfactory checks being in place. And that's what Xbridge told Mr S when he discussed the checks with it. In this case the check carried out on the new tenant found they had two active County Court Judgements and said they were high risk. I don't think this could reasonably be regarded as meeting the requirement for a satisfactory check to be in place.

As a result, while I'm not satisfied Xbridge did provide Mr S with clear information about the need for a guarantor, that issue is only part of the reason that led to his claim being turned down. Given the information in the credit check and what the insurer has said about the reasons for turning down the claim I think the outcome is likely to have been the same even if Xbridge had given Mr S clearer information about the need for a guarantor. So I don't think it's responsible for his claim being turned down.

But I accept Mr S has been caused some inconvenience by not being given clearer information at an earlier stage. I think the £100 our investigator recommended (and which Xbridge has agreed to pay) is a reasonable way of recognising the impact of that on him.

My final decision

I've decided to uphold this complaint in part. To put things right Xbridge Limited will need to pay Mr S £100. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 23 June 2022.

James Park
Ombudsman