

The complaint

Mr B has complained about his home insurer, Lloyds Bank General Insurance Limited as it refused his claim for damage to his garage and most of its contents caused by a fire (the bicycles in the garage were covered).

What happened

Mr B arranged a policy with Lloyds on-line. He says he felt this covered his garage as part of his home. But when there was a fire in the garage and Mr B made a claim to Lloyds it said that as the garage is detached from the house Mr B needed outbuildings cover for it and its contents (with the exception of the bikes which had separate cover). Which he did not have. So the claim was declined.

When Mr B complained to us our investigator looked at the on-line journey Mr B had taken and felt it had been clear that detached garages were considered to be outbuildings, requiring separate cover. So he didn't uphold the complaint. Mr B felt he must have seen something different as covering his garage had always been important to him. He thought there had been a description of 'private residence' which said that was anything within the property's boundaries. And he said it was telling that Lloyds did not provide a definition of what attached and detached meant. He said his garage was attached because it had things like electricity running to it from the house. His complaint was passed to me for consideration.

I felt it should be upheld due to a lack of clarity in the policy wording that applied at the time of the fire. My provisional findings were:

"Definitions

An insurer, whether as part of an on-line application or as part of the policy, can't reasonably give a definition for every word used. Rather an insurer will provide a definition for any words with specific meanings for the insurance cover, and any other words used in the application or policy will have their ordinary everyday meaning. So in terms of buildings; attached would mean where the two buildings are built together, and detached would mean the buildings are separated. The fact that pipes or cables run between buildings which sit separately from one another doesn't mean they are attached or not detached.

Mis-sale

I know Mr B feels he was mis-sold this policy. But I'm not persuaded that is the case. I've no reason to doubt that the on-line journey details Lloyds sent us are correct. The fact that Mr B recalls them differently, doesn't mean they most likely were different. The journey does include pop-up boxes which contain extra explanatory detail. But whether or not Mr B accessed these, the detail presented on the screen, without the need to select any help icons, explained about garages. That only those attached were included within private residence cover. I think that is clear. But the problem for Lloyds comes with its wording in its policy booklet.

Policy wording

There is a basic rule in insurance, the legal name for which is contra proferentem. This means that in essence a policy provided by an insurer must be clear. But if it is not clear then it must be interpreted in favour of the policyholder.

Lloyds sent us a policy booklet which it said applied at the time of the fire. The booklet is dated March 2019 and the fire occurred in September 2020. So I've no reason to think it wasn't the wording which applied at the time of the fire.

The policy booklet contains various definitions. Including 'buildings', 'outbuildings', 'private residence' and 'home'. I have no issue with what they say or their clarity. In short they show that detached garages are considered to be 'outbuildings', the 'buildings' are any structures, including things like paths, of the 'private residence' which is the house, along with any attached or integrated structures. And the 'home' is everything together. There is a lot of wording behind this simple summary. But I do think the definitions are clear.

The lack of clarity comes when the wording turns to the cover for buildings and contents. Each of these sections of the policy are split into further subsections. The first subsection in each is titled "Private residence cover". Each of these subsections starts with a similar piece of wording that sets the reader up for what the further detail in that subsection – about 'what we do/what we don't cover' – is referencing. I've copied these starting paragraphs below, applying the same emphasis as in the policy.

In the buildings section it says:

"Private residence cover

*This section applies if **you** have 'Buildings – Private residence cover' – this is shown in your **policy schedule**. The following covers are provided under your 'Buildings – Private residence cover' and apply to both **your private residence** and **your outbuildings**.... It covers the **buildings of your private residence** and also provides some cover for **your home** (which is both **your private residence** and **your outbuildings**)".*

In the contents section it says:

"Private residence cover

*This section applies if **you** have 'Contents – Private residence cover' – this is shown in your **policy schedule**. It covers the **contents in your private residence** and also provides some cover for the **contents in your home** (which is both **your private residence** and your **outbuildings**).*

Each subsection goes on to detail the cover provided. Such as for fire. There is no further indication in these subsections – either that which applies to buildings or contents cover – that 'outbuildings', or 'contents in outbuildings', are not being covered within or as part of the 'private residence cover' subsections.

Lloyds may well be able to provide an explanation of why the reference to outbuildings is included as part of this explanatory paragraph. And I think it is likely that Lloyds did not mean to cause any lack of clarity by wording the policy in this way. But a reasonable reading of the subsections suggests that cover for outbuildings can be found and/or is provided within/as part of the cover for private residence. So that interpretation must be applied when thinking about Mr B's claim. And Mr B did have 'private residence cover' showing on his policy schedule, for both buildings and contents. So I think Lloyds must cover his claim for fire to his detached garage and its contents as though this outbuilding was covered under the private residence subsections of the policy, both for buildings and contents.

Financial and non-financial loss

I know Mr B has attempted to clear the garage and contents himself. Lloyds will have to compensate him for any financial loss he suffered doing this – such as for skips and the like. Mr B should present any invoices to Lloyds for reimbursement. Reimbursement will have to be made plus interest from the date Mr B paid the invoice until settlement is made.*

But doing this was distressing and difficult for Mr B. I can also see he has been frustrated over the decline of his claim. I'm satisfied that £500 compensation for distress and inconvenience is fairly and reasonably due."

Mr B said he accepted the decision. Lloyds said it disagreed with it.

In summary Lloyds said:

- A previous policy which Mr B held jointly with another policyholder did include the additional cover for outbuildings – so Mr B must have known additional cover was needed, which would generate a higher premium, but chose not to select it.
- The clarity of the individual terms is not as important as the bigger picture provided by all the information within all the policy documents as a whole.
- The customer is responsible for reviewing all the documents to make sure the policy, as a whole, suits their needs.
- An assessment of the documents as a whole shows that Mr B's garage wasn't covered, and he should have known that.
- The wording of the buildings cover clearly explains that outbuildings are only covered as standard against certain perils.
- The contents section of the policy does specifically exclude contents in outbuildings, although cover for damage to the home, referenced in subsection 19 of the cover, does include damage to outbuildings as they are part of the home.
- The policy, overall, is clear enough.

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.

I note the detail Lloyds has provided about the previous policy held jointly by Mr B and another. But I note it was arranged in August 2018, and whilst it renewed automatically in August 2019, it was cancelled in October 2019. Mr B then arranged this policy with Lloyds in September 2020. So that was more than two years from when the other policy was arranged, and one year (on average) from its renewal and cancellation. Both are quite a long time. I don't think I can fairly assume that Mr B knew or reasonably should have been able to recall the finer points of the previous cover when the new policy was arranged. And I certainly don't think Mr B knowingly risked taking a lower level of cover in the hope that, should it be necessary, he could find a way to obtain the further cover he needed. But, in any event, I'm not persuaded that, in the circumstances here, what he knew when arranging cover, is really that relevant.

For an experienced person, I think the cover provided by Lloyds, when all the detail within all the policy document are taken into consideration, is clear. But a policyholder, taken to be an average consumer, is seen to be generally inexperienced. As such each term of a policy has to be clear, in and of itself.

The full wording of the buildings cover does include a list of perils. But listing those perils doesn't diminish the lack of clarity caused by the further reference to outbuildings that

appears at the end of that section of wording. I remain of the view that, that section of wording is unclear.

I note there is an exclusion in the contents section for contents in outbuildings. And that subsection 19 does refer to cover for the “**home**”. So, if the reader looks at the whole contents section, then they may well understand that, apart from in respect to the cover provided by subsection 19, there is no cover under this section for contents in outbuildings. But as I noted above, an assessment of everything together shouldn't be necessary to provide clarity for an individual term.

In summary, whilst I've considered Lloyds' explanation in reply – both in respect of how the policy works as a whole and the specific terms detailing the buildings and contents cover, I remain of the view there is a lack of clarity. That lack of clarity – in the specific terms I quoted provisionally – means that, in my view, Lloyds must handle Mr B's claim for fire damage to his detached garage and contents, as though cover for that was available as part of the private residence cover he held.

Putting things right

I require Lloyds to:

- Consider Mr B's claim for his fire damaged garage and its contents under the private residence cover (for buildings and contents), as though ‘*outbuildings*’ fall under that cover. The consideration should be done sympathetically given Mr B has had to clear away much of the damage and damaged items, and this may affect the level of proof he is able to present in validation of his loss. He should not be penalised for that. Settlement for Mr B's claim should otherwise be made in line with the policy's remaining terms and conditions.
- If Mr B has incurred any costs in clearing the garage debris and contents, reimburse his outlay, subject to him providing invoices, and with interest* applied from the date the invoice was paid until settlement is made.
- Pay Mr B £500 compensation.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs requires Lloyds to take off tax from this interest. It must give Mr B a certificate showing how much tax it's taken off if he asks for one.

My final decision

I uphold this complaint. I require Lloyds Bank General Insurance Limited to provide the redress set out above at “*putting things right*”.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 19 May 2022.

Fiona Robinson

Ombudsman