

The complaint

Mr S complains that Premia Solutions Ltd, trading as Kudos Insurance Brokers, mis-sold him a commercial insurance policy.

What happened

Mr S operates a business I shall refer to as “N”. He took out cover for this business several years ago and his policy has renewed on more than one occasion, seemingly with no significant change to the terms or cover. The broker who originally sold the policy – on an advised basis – was not Premia. However, Premia did arrange the renewal of the policy in 2019.

When N had to close as a result of the COVID-19 pandemic in 2020, Mr S contacted his insurer to claim for his loss of income. At this point, Mr S realised that the policy he had only provided him with cover for £30,000 lost income, whereas he had intended to take out a policy providing £300,000 cover. This had been the case since the policy was originally inception. As such, whilst Mr S's insurer met his claims, they only paid a proportion of his losses.

It should be noted that I have not considered as part of this complaint whether the actions of the insurer in this regard were fair or reasonable.

Mr S complaint to Premia, saying that he had been mis-sold the policy as it did not meet his needs. Mr S felt that Premia should have carried out a review of his needs and identified the error in the level of cover when recommending the policy be renewed in 2019.

Premia responded, saying that the full details had been provided to Mr S at renewal. And that he had not queried this level of cover – merely a different aspect of cover.

Mr S referred his complaint to our Service. And our Investigator agreed that Premia had mis-sold the policy. The Investigator explained that the key consideration was the renewal in 2019. This renewed policy was sold on an advised basis, with Premia responsible for confirming that it was suitable for Mr S. So, when Premia recommended the policy saying “*It is adequate for your requirements as detailed in the Demands and Needs Statement*” the Investigator felt they had recommended an unsuitable product. Had Mr S been sold a policy with a suitable level of cover, his claims would've been met in full. And the Investigator said that Premia needed to cover the shortfall in the settlement of Mr S's claims.

Premia disagreed, saying it had attempted to contact Mr S at the point of renewal but that he had not raised this issue. And that the policy had always provided only £30,000 of cover, so Premia was not responsible for any error.

As the Investigator was not persuaded to change his opinion, this complaint has been passed to me for a 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.

Premia has referred to the actions of the previous broker who was responsible for the initial inception of the policy. However, this complaint is about the actions of Premia in 2019 at the point of renewal.

This 2019 renewal was carried out on an advised basis. So, Premia had a responsibility to ensure it was recommending a policy that was suitable for Mr S's needs. The statement of fact that makes up part of the policy documents confirms that Mr S had stated N's annual turnover as being £300,000. However, it also confirmed that the Gross Profit cover provided by the policy had been limited to £30,000.

Turnover is not the same as Gross Profit. However, without seeking clarification of the difference in these figures, I don't consider Premia could reasonably say it had discharged its responsibility in ensuring the policy was suitable for Mr S.

Premia has said that it did try to speak with Mr S at the time, but that he was not fully available. However, in such circumstances, I consider – at worst – Premia should've given its recommendation with caution. For example, it might have said the policy appeared generally suitable but highlighted the disparity in the figures for Mr S to specifically consider.

I do not consider it is enough that the documents provided to Mr S set out the figures involved. The fact there was a huge difference between the business' turnover and the insured profit should have been specifically highlighted, with a warning that this might make the policy unsuitable.

Ultimately, in carrying out an advised sale, it was for Premia to satisfy itself that the policy was suitable for Mr S's needs. Mr S had provided the information that would have allowed Premia to either say the policy was unsuitable or to say that it was unable to recommend it as being suitable without the necessary clarification. But Premia did not do this and so I consider it is liable for the reasonably foreseeable consequences of this.

When Mr S came to make his claims for the different 'lockdown' periods that fell within the policy term, his insurer did not fully meet these claims. And I think an issue in relation to this would've been something reasonably foreseeable to Premia at the point of renewal.

Putting things right

Premia should make up the shortfall in the claims Mr S made. Mr S made two claims.

I understand that Mr S's insurer calculated N's losses for the first lockdown as being £42,188, but only paid £5,758. So, Premia needs to pay Mr S the deficit of £36,430 on this claim. And Premia needs to add interest to this sum from the date this claim was partially met by Mr S's insurer to the date Premia pays the settlement.

And I understand that Mr S's insurer calculated N's losses for the second lockdown as being £24,117, but only paid £3,109. So, Premia needs to pay Mr S the deficit of £21,008. And Premia needs to add interest to this sum from the date this claim was partially met by Mr S's insurer to the date Premia pays the settlement.

In total, Premia needs to pay Mr S £57,438 plus the appropriate interest on this amount. The interest should be calculated on the basis of 8% simple per annum, from the relevant dates

for the two claims, up until the date Premia settles this complaint.

My final decision

My final decision is that I uphold this complaint. Premia Solutions Ltd trading as Kudos Insurance Brokers should put things right as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 27 October 2022.

Sam Thomas
Ombudsman