DRN-3593014

The complaint

Miss G is a sole trader. She complained that Covea Insurance plc unfairly declined her business interruption insurance claim and initially provided the wrong reasons for doing so.

Miss G has been helped in bringing this complaint by Mr M. However, for ease of reading I'll refer to all actions and comments as being those of Miss G.

Reference to Covea includes anything done by its agent.

What happened

Miss G held a business protection insurance policy with Covea. She looked to claim on her policy in March 2020 after her business was impacted by Covid-19 and the Government's response to the pandemic.

In May 2020 Covea turned down Miss G's claim as it said the extension for infectious disease (which I'll refer to as a radius clause) didn't provide cover.

Covea said that it wrote to Miss G in July 2020 to let her know that a different extension in her policy (which I'll refer to a public emergency clause) had some similarities to a policy which was being considered by the High Court as part of the Financial Conduct Authority's Business Interruption Insurance test case. Therefore, her claim would be kept under review.

In November 2020, Covea wrote to Miss G to let her know that the High Court judgment hadn't changed the outcome of her claim. It also referred to Miss G's policy not providing cover under a different extension (which I'll refer to as a specified disease clause).

Some aspects of the test case were appealed to the Supreme Court, although this didn't include the policy which shared a similar clause to Miss G's. In February 2021, Covea wrote to Miss G to let her know that the Supreme Court judgment hadn't changed the outcome of her claim.

Miss G complained to Covea about its decision, the delays and that it had used the wrong wording. Covea accepted it had initially used the wrong wording to decline Miss G's claim and apologised for the confusion. However, it said it had correctly declined her claim and were correct to keep her updated about the outcome of the test case given that her policy contained some wording similar to that being considered by the Court.

Unhappy with Covea's response, Miss G brought her complaint to our service.

Our investigator looked into Miss G's complaint but didn't recommend it be upheld as she didn't think the policy provided cover for the circumstances of her claim. She also didn't recommend that Covea compensate Miss G for providing the incorrect information about her claim as it hadn't affected the outcome of the claim.

Miss G accepted that the claim had been fairly declined but said Covea had provided the incorrect information about why the claim had been declined. Miss G said this had caused

things to go on for longer than they would have done if clearer information had been provided and requested Covea compensate her for this.

Before I reached a decision, our investigator contacted both Miss G and Covea to let them know that I was considering awarding £200 compensation to Miss G caused by them providing incorrect information.

Miss G didn't respond but Covea didn't agree. They said while the incorrect wording had been used it hadn't impacted the outcome of Miss G's claim. They said it wasn't the use of the incorrect wording which had led Miss G to think she might be covered following the Supreme Court judgment and so didn't think its error had caused enough distress or inconvenience to warrant compensation.

I issued a provisional decision on Miss G's complaint on 8 July 2022. In that I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Miss G has accepted our investigator's opinion that the claim was fairly declined. Therefore, I will focus my decision on the information Covea provided. However, for completeness I'm satisfied that Covea fairly declined Miss G's claim as the policy doesn't provide cover for the circumstances of her claim.

It's not in dispute that Covea used the wrong wording when it initially declined Miss G's claim in May 2020. So I've considered the impact of this error on Miss G.

Covea didn't refer to Miss G's policy containing a specified disease clause until November 2020. This seems to have alerted Miss G to the error as she pointed it out in her letter of complaint in January 2021.

I've considered that Covea fairly declined Miss G's claim and also that Miss G continued to query the outcome of her claim even after being given the correct policy wording. I also recognise that Covea's letters regarding the test case only referred to the Court considering the public emergency clause and not the radius clause.

However, that doesn't change my view that providing the incorrect reasoning at the start of the claim caused Miss G unnecessary distress and inconvenience as it meant she wasn't given the correct reason until November 2020 or an explanation of Covea's error until March 2021, after she complained. I think it would have been frustrating for Miss G to feel that Covea hadn't understood her policy and I accept Miss G's point that things have gone on longer than they would have done without the error.

I'm satisfied that £200 is a fair and reasonable amount for Covea to pay Miss G to compensate for this.

Both Miss G and Covea confirmed that they had no further comments in response to my provisional 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.

As I've received no further comments in response to my provisional decision, I see no reason to depart from my findings.

My final decision

For the reasons set out above and in my provisional decision, my final decision is that Covea Insurance plc should pay Miss G £200 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 15 August 2022.

Sarann Taylor
Ombudsman