

## **The complaint**

Mr and Mrs S are unhappy with the way Avantia Insurance Limited sold and renewed their home insurance policy.

Mr S has primarily dealt with the claim and complaint, so I'll refer to him only.

## **What happened**

The circumstances of this complaint aren't in dispute, so I'll summarise the main points:

- Mr S took out home insurance through Avantia in 2014. It was initially underwritten by an insurer, X. The policy renewed yearly with that same arrangement until 2019, when the underwriter changed to L. It returned to X in 2020.
- Prior to the next renewal, Mr S got in touch with X to make a claim. X accepted the claim but sought to reduce the settlement on the basis Mr S had underinsured the outbuildings.
- Mr S didn't think this was fair. He said Avantia hadn't informed him what the cover for outbuildings included. He would have increased his cover if he had been.
- A separate complaint has been considered against X. In brief, it's been upheld on the basis it would be unfair to reduce the claim settlement.
- This complaint is solely about the acts and omissions of Avantia in its role as broker when it arranged the policy each year. As it has arranged the policy for more than one insurer, it seems to have been acting independently.

I recently issued a provisional decision in which I said:

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

When an insurer sells a policy directly to the consumer, it's responsible for gathering information from the consumer that it considers relevant – such as the rebuild cost for outbuildings.

When a broker sells or renews a policy, it's responsible for gathering that information from the consumer and passing it to the insurer. It's required to provide information that's clear, fair and not misleading. That includes asking clear and relevant questions and explaining and sufficiently highlighting to Mr S steps he must take in order to provide the right information to the insurer.

Whilst the policy was first arranged by Avantia in 2014, the most relevant information here is the renewal prior to the claim – in 2020. The 2020 policy documents says it's important for Mr S to review and update certain information – the cover chosen and the information used to provide a quotation.

Relevant to this complaint, the documents say:

*Outbuildings cover: £7,500*  
*See Section 1 in your policy booklet*

There are no other statements or any questions about the outbuildings cover. There is no further explanation about what the word 'outbuildings' means or what Mr S should think about when deciding if £7,500 is a reasonable amount.

X has explained that it wanted to know how much it would cost to completely rebuild all Mr S' 'outbuildings'. Within the separate policy booklet, this word is defined so its full meaning is explained. It says it includes, amongst other things, detached garages, sheds, fences, driveways and patios.

I don't think Avantia conveyed to Mr S what X wanted to know. It didn't mention the full meaning of the word 'outbuildings' and nor did it set out that the full rebuild cost of these things was needed. It effectively left it open to Mr S to interpret what 'outbuildings' meant and to set a figure he was happy to insure them for.

Avantia says that Mr S was directed to the full policy booklet during the renewal. So he ought to have been aware what was meant by the word 'outbuildings'.

I agree it's important for policyholders to read the full document, as this forms the contract of insurance. But I don't think directing policyholders to read the document amounts to asking a clear question or highlighting key information, in line with a broker's duties.

Had Mr S followed the statement I quoted above, he would have gone to Section 1 – which is the buildings cover and doesn't include the definition for 'outbuildings'. Instead, he would have to seek out the definitions section to find it. I don't think that's a reasonable expectation to place on a consumer. And I'm not satisfied it fulfils Avantia's requirement set out above.

I take into account that *even if* Mr S had been aware of the full definition of outbuildings, X also wanted to know how much it would cost to rebuild them in full. Avantia's policy documents asked Mr S for a 'sum insured' – and didn't explain what this phrase meant. It's not a phrase with one single, commonly understood meaning. Without any further explanation, I think most people would consider it to mean 'the amount I'm choosing to insure something for' or similar. So again, I don't think Avantia fulfilled its requirement.

Overall, having considered the way Avantia arranged the policy, I'm not satisfied it provided clear information and took sufficient steps to ensure Mr S provided the right information. As a result, when the claim was made with X, it thought Mr S had provided the wrong information.

Whilst I've found X ultimately reached an unfair position, it was entitled to consider the information Mr S had provided and explore what impact that might have. Had Avantia treated Mr S fairly at the renewal, I think it's unlikely the same kind of problems would have arisen. That means Avantia contributed to the claim problems and delays as a result of the way it arranged the policy.

In these circumstances, I'm satisfied it would be fair for Avantia to pay compensation to recognise the distress and inconvenience it contributed to. I'm satisfied £250 is a reasonable and proportionate figure in the circumstances.

### **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.

Mr S accepted my provisional decision.

Avantia didn't. It made several points, which I'll summarise and respond to in turn:

- Mr S was sent the policy documents when the policy was first sold in 2014 and at each renewal since. The sale was non-advised and the onus was on Mr S to read the policy documents and ensure the cover was appropriate for him.
- In 2016, Mr S called to change his address. He was asked if '£7,500 was enough for his outbuildings' and he confirmed it was.
- The definition of outbuildings had remained unchanged during the underwriter changes and wasn't a new term added in 2020. It's set out on page five of the policy, it's not hidden, and the policy contains further guidance about it.
- The renewal in 2020 was automatic and Mr S didn't call Avantia at that time.
- It had received answers to other cases with similar circumstances which reached different outcomes.

We consider each case on its own merits. My consideration here is limited to Mr S' case and its particular circumstances. So I can't comment on the outcomes reached in other cases.

To recap, when arranging a policy, a broker such as Avantia is required to provide information that's clear, fair and not misleading. That includes asking clear and relevant questions and explaining and sufficiently highlighting to Mr S steps he must take in order to provide the right information to the insurer.

Each renewal is a new contract of insurance and arranging that renewal amounts to selling a new policy. So it's important that a broker fulfils these requirements at each renewal, as well as the initial sale.

I focused on the renewal in 2020 because that was the one prior to the claim. If Avantia had fulfilled its requirements at that time, whether it had done so at earlier renewals may not have been as relevant to Mr S' complaint. But I've taken into account everything else Avantia says is relevant from earlier renewals.

Many of the points Avantia made aren't in dispute. There's no suggestion it failed to send the policy documents. Or that the definition of outbuildings changed. And I agreed in my provisional decision that it's important for policyholders to read their policy documents. I accept the sale was non-advised and renewals were automatic. But none of these points make a difference to the outcome – and they fail to take into account the things that do.

In 2020, X wanted to know how much it would cost to completely rebuild all Mr S' 'outbuildings'. The key question for me is whether Avantia fulfilled its requirements, set out above, when it arranged the policy for Mr S.

I explained in my provisional decision why I didn't think merely stating the sum insured for outbuildings at the 2020 renewal amounted to fulfilling the requirements. The definition of

outbuildings didn't feature within the renewal documents and the phrase 'sum insured' wasn't explained.

Avantia hasn't disputed either of those things. It seems to argue that because the renewals were non-advised, automatic, and some of the information Mr S needed to know could be found elsewhere, Avantia fulfilled its requirements.

It's a disappointing response and I don't find it at all persuasive. It doesn't materially change the information available to me when I made my provisional decision. I won't repeat my reasoning as it's set out above. But, in summary, even in a non-advised and automatic renewal, the requirement on Avantia here was to ask clear and relevant questions, explain and sufficiently highlight to Mr S the information he must provide to meet X's requirements in relation to the outbuildings sum insured.

Avantia failed to do that. It merely stated the sum insured for outbuildings in the renewal documents, without any explanation or guidance in the document, and expected Mr S to understand what that meant. In my view, that falls a long way short of meeting the requirements set out for a broker when arranging a policy.

Avantia says it asked Mr S in 2016 if '£7,500 was enough for his outbuildings'. I haven't seen any evidence to show how this question was put to Mr S and whether any other guidance or information was added. So, on the face of it, the question appears to be equivalent to the renewal documents. It doesn't explain what is meant by 'outbuildings' and doesn't highlight that the figure must represent the cost of rebuilding them. So it doesn't change anything.

Overall, I remain satisfied Avantia treated Mr S unfairly. Neither party has questioned my proposal to award Mr S £250 to compensate him for the way he was treated. So I won't change or comment on it any further.

### **My final decision**

I uphold this complaint. I require Avantia Insurance Limited to pay £250 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mrs S to accept or reject my decision before 11 October 2022.

James Neville  
**Ombudsman**