

The complaint

Mr B and Ms H have complained that EUI Limited (EUI) treated them unfairly due to an error with their home insurance policy.

For ease, I will normally only refer to Mr B, as he dealt with the policy change and complaint.

What happened

Mr B contacted EUI to check if an electric unicycle could be added to his home insurance policy. EUI checked some details for the unicycle and confirmed it could be added for an additional premium. Mr B agreed and the unicycle was added to the policy. Shortly after this, Mr B made a claim for accidental damage to the unicycle. He was told the policy didn't cover motorised vehicles, so the claim couldn't be considered.

So, Mr B complained. EUI replied and said motorised vehicles weren't covered, but Mr B had been misadvised so, on this occasion, it would either repair or replace the unicycle. However, it wouldn't be covered in future. It also offered £50 compensation.

A couple of hours later, Mr B received a further response to his complaint. This said the previous response to the complaint had been sent in error. Mr B had been correctly advised that the unicycle wasn't covered and the claim wouldn't be dealt with. EUI offered £350 compensation for the errors.

Mr B then contacted this service. Our investigator upheld the complaint. He said although the unicycle wasn't covered by the policy, Mr B had been told it was insured and had acted on that advice. By following EUI's advice, Mr B was at a financial loss, so our investigator said EUI needed to pay the cost of replacing the unicycle plus interest on any cash settlement.

EUI didn't agree. It said the unicycle wasn't covered under the policy and it had quickly dealt with the incorrect advice it had given. It also said it had now offered a total of £500 compensation and the premium had been refunded with interest. Following this, the complaint was referred to me.

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.

Having done so, I uphold this complaint. I will explain why.

I've looked at the policy and can see it doesn't cover motorised vehicles. From what I can see, the electric unicycle seemed to fall within the definition of a motorised vehicle, so I can see why the claim was declined. This left Mr B without insurance cover for the unicycle.

Based on what I've seen, Mr B gave clear information about the unicycle he wanted cover for. The responses he received from EUI included clarifying how the unicycle was powered.

Following this he was told the unicycle could be insured for an additional premium. Mr B agreed to this. It was only when he made a claim a short time later that he was told the unicycle wasn't covered, as the policy didn't cover motorised vehicles.

Mr B has said that if he had been told the unicycle couldn't be insured under the policy, he would have looked for cover elsewhere or sold it. However, because of what he was told by EUI, he thought he had cover in place. So, I think, due to the incorrect advice given by EUI, Mr B suffered a financial loss, as when he tried to claim for the unicycle he found out he didn't have cover in place. As a result, I think EUI needs to ensure that Mr B doesn't lose out because of its error. This means it needs to pay the cost of repairing or replacing the unicycle or to pay a cash settlement for it. If it pays a cash settlement, it must pay interest on that amount because Mr B lost use of the money.

I've also thought about compensation. EUI initially offered Mr B £50 compensation. A couple of hours later, when it wrote again to change its final response to the complaint, it increased this to £350. In the circumstances, I think its £350 compensation offer was fair to reflect the incorrect cover advice Mr B was given, the concern caused by his claim then being turned down because that advice was wrong and him being sent two contradictory responses to his complaint on the same day.

Putting things right

EUI should repair, replace or offer a cash settlement for the unicycle. If it pays a cash settlement, it should pay interest on that amount.

My final decision

For the reasons I have given, it is my final decision that this complaint is upheld. I require EUI Limited to:

- pay the cost of repairing or replacing the unicycle or pay a cash settlement for it.
- if it pays a cash settlement, pay 8% simple interest on that amount from the date on which the claim was first made to the date on which the payment is made.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Ms H to accept or reject my decision before 30 November 2022.

Louise O'Sullivan
Ombudsman