

The complaint

Mrs R and Mr R complain about Royal & Sun Alliance Limited's cancellation of their home insurance policy.

What happened

Mrs R and Mr R had a home insurance policy underwritten by Royal & Sun Alliance Limited (RSA), which covered their buildings and contents, amongst other things. They first bought the policy in 2003.

After they made a claim for damage to a carpet in April 2021, the intermediary who sold them the policy told them that RSA would be cancelling it – and not considering the claim.

This was on the basis that Mrs R and Mr R had failed at renewal to correct information which suggested their home was made predominantly of brick. In fact, a large part of it is made of wood.

Mrs R and Mr R weren't happy with this and made a complaint. They said they'd been told back in 2003 that their house could be covered by the policy and they'd been entirely open at the time about its construction. They said that since the policy had never been suitable, they wanted their premiums refunded back to inception in 2003.

The intermediary – who RSA have confirmed is authorised to deal with this matter on RSA's behalf – admitted that a mistake had been made. They said the policy shouldn't have been cancelled at all, because their underwriters were able to provide cover, albeit this would usually be on different terms due to the non-standard construction of the house.

They said "system limitations" meant they couldn't change the policy terms at that time. So, they offered to reinstate the policy – under the same terms for the time being. And they said they'd pay any premiums Mrs R and Mr R had paid to other insurers after the erroneous cancellation.

Mrs R and Mr R weren't happy with RSA's response and brought their complaint to us. They said they wanted all of their premiums refunded, back to 2003, with interest.

Our investigator looked into it and thought Mrs R and Mr R's complaint should be upheld. However, he didn't think the premiums should be refunded because RSA would in fact have considered claims throughout the period in question and would have paid out if they'd accepted those claims.

In other words, Mrs R and Mr R had in fact been provided with the cover they'd paid for. The cancellation of the policy had been an error, which RSA's agents had identified and then tried to put right.

Our investigator thought the offer to reinstate the policy on the same terms – and pay for any alternative cover Mrs R and Mr R had bought in the meantime - was fair. But he thought RSA should also pay Mrs R and Mr R £100 in compensation for their trouble and upset.

The complaint has been referred to me for a final decision because RSA didn't respond to our investigator's view on the case. They've since said they're happy for the matter to be handled by the intermediary on their behalf.

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 should say first of all that this case has been referred to me for a final decision not because any of the parties necessarily disagree with our investigator's view, but because RSA haven't expressed an opinion on that but instead asked us to deal with it through the intermediary.

We've been clear throughout that RSA are the appropriate and correct respondent to the complaint. Decisions about whether to continue with or cancel cover are for the underwriter not the intermediary or broker. Of course, RSA are entitled to ask someone else to deal with the matter on their behalf – as they have done here – but RSA will be responsible for ensuring that any actions to put things right for Mrs R and Mr R are taken in a timely manner.

To be clear, according to the evidence we've been given, this policy was cancelled after the underwriter said cover couldn't be provided. It wasn't cancelled due to a simple administrative error on the part of the intermediary for which RSA couldn't be expected to accept responsibility.

I'm happy then that the respondent in this case has been given a preliminary view of the proposed outcome of our considerations (our investigator's view). This final decision will resolve the case beyond any doubt in an acceptable time frame for Mrs R and Mr R.

There is no dispute about the facts of this case. RSA – through the intermediary – admit that they made an error in cancelling the policy.

Putting things right

Turning to the substance of the case, I agree with our investigator that it wouldn't be fair to ask RSA to refund all of Mrs R and Mr R's premiums back to the policy's inception in 2003. As he said, Mrs R and Mr R have been on cover in that time, notwithstanding the error made by RSA in April 2021.

If I start from that point, I'm satisfied that RSA's offer – through the intermediary – to put things right is entirely fair and reasonable. Reinstating the policy on the same terms, and recompensing Mrs R and Mr R for the cost of any policies they've bought since the cancellation, puts Mrs R and Mr R back in the position they would and should have been in had the error not been made in the first place.

I should say that RSA will be entitled to apply their policy terms for non-standard construction as and when their administrative systems allow it. And to vary the terms if there is any material change to the cover provided by the policy.

To be clear, I'd expect RSA to pay for the premiums Mrs R and Mr R paid for alternative cover plus any cancellation or other administrative fees. If Mrs R and Mr R choose not to accept that offer, I can only assume that's because they consider themselves now to be in a better position than they were before the error was made and their policy cancelled.

If the policy is reinstated, RSA can then consider the claim relating to the carpet which Mrs R and Mr R made just before the policy was erroneously cancelled.

I agree with our investigator that the error made by RSA in cancelling the policy will have caused Mrs R and Mr R a degree of inconvenience – they will have had to seek cover elsewhere. And it will have caused them some stress and worry, particularly around what their future premiums would likely cost.

I'm satisfied that £100 is sufficient compensation for Mrs R and Mr R's trouble and upset. I bear in mind that whilst this whole incident will have caused them stress and concern, RSA – through the intermediary – offered to put things right within a relatively short space of time.

My final decision

For the reasons set out above, I uphold Mrs R and Mr R 's complaint.

Royal & Sun Alliance Insurance Limited must:

- if Mrs R and Mr R wish, reinstate the policy - initially at least, on the same terms;
- pay for any alternative cover Mrs R and Mr R have purchased since the cancellation (including cancellation or administrative fees), on receipt of appropriate proof of payment from Mrs R and Mr R;
- pay Mrs R and Mr R £100 in compensation for their trouble and upset.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R and Mr R to accept or reject my decision before 6 January 2023.

Neil Marshall
Ombudsman