

## **The complaint**

Ms B complains Telford-Reede Ltd (“Telford”) acting as her insurance broker, failed to take appropriate care when setting up her home insurance policy, resulting in a reduced settlement when she raised a claim under her home insurance policy.

## **What happened**

Ms B purchased a barn in 2017 and was in the process of converting it into her permanent home. Ms B says she was self-building the property and spent the past five years working on the project. She was due to move in late 2022.

Ms B took out her buildings insurance through Telford-Reede brokers from 2017 until 2021. Initially the policy was for cover up to £500,000 and then Ms B reduced the cover to £300,000. Ms B says this was the rebuilding cost to her as a self-builder. Renewal documents were sent to Ms B each year.

Unfortunately in March 2022 there was a fire at the property and it burned down leaving only the walls intact. Ms B notified her insurer of the incident, and the claim was accepted subject to it being validated.

The insurer arranged for the property to be inspected and it was deemed a total loss. And so a building surveyor was instructed to assess the rebuilding cost to reinstate the property to its pre-fire condition. The cost was estimated at around £800,000 on a self-build basis and approximately £1.4m if contractors were engaged.

Ms S says she wasn’t properly advised by Telford as to how to calculate the rebuild value and the implications of any error in making this estimate had not been sufficiently conveyed to her. Ms S also says the under-insurance adjustment made by the insurer was unfair; since she wasn’t directed as how to calculate the rebuild value appropriately. And so she complained.

Telford said it sent Ms B a copy of its terms and conditions at the outset of each policy year and Ms B should have read through all policy terms, conditions, and warranties; and contact Telford if there was anything she didn’t understand. And since Ms B didn’t contact Telford regarding the terms of the policy it assumed she was familiar with them. Telford also said it obtained quotes for insurance policies based on Ms B’s instructions of £500,000 of cover, and this was based on rebuild costs from the surveyor who was advising Ms B. Telford said due to the passage of time it can’t evidence Ms B was specifically told about the under-insurance clause but it was company practice to do so; but in any event the insurance documents were sent to Ms B and these should have been reviewed. Telford also said Ms B had asked for the cost of a policy providing cover for £300,000 and was reminded at that stage that the rebuild cost needed to cover the cost of rebuilding the property as finished. The complaint wasn’t upheld.

Ms B referred her complaint to our service. The investigator looked into things for her. He said he thought Telford had informed Ms B on several occasions of the importance that the information she provided was complete and accurate. He said Ms B was also told the cover

should provide for the cost of rebuilding the complete property. Because of this our investigator thought Telford had behaved reasonably in its role as broker.

Ms B didn't accept this outcome. Her further comments didn't persuade our investigator to change his mind. So she asked for an ombudsman to review her complaint. And so the complaint has been passed to me to decide.

### **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 have decided not to uphold Ms B's complaint. I understand she will be disappointed but I will explain why I think my decision is fair.

My remit here is to consider whether Telford behaved reasonably when arranging Ms B's insurance policy. If it didn't I must consider the impact this had on Ms B and any financial loss this caused to her.

From the information provided to me, it's my understanding that this policy was sold to Ms B on an advised basis. Given this, Telford had to make sure the policy was suitable for Ms B's needs. This included making sure it asked Ms B relevant questions to determine suitability of the policy and made sure it gave Ms B sufficient information to explain the importance of the sum insured being correct.

Telford said Ms B had initially told it she needed £1m of cover before reducing it to £500,000 in the first year, and then reducing it to £300,000 the following year. The accounts of what was discussed differ between Ms B and Telford. I don't dispute the veracity of either account. But there is no call recording to determine exactly what was said. My findings are therefore based on the information that is available and what I consider reasonable based on the balance of probabilities.

When Telford wrote to Ms B the following year it provided her with a copy of the summary of cover together with the statement of fact. The quote was for cover for £500,000. Ms B asks whether she needs to insure for what the property will be worth when it's completed. Telford respond by saying, *"the building needs to be insured for the cost of rebuilding the whole of your buildings in a new condition similar in size shape and form. You just need to ensure you have enough to rebuild the barn."* I think Telford therefore did enough to let Ms B know that she needed to make sure the policy covered the full rebuild cost of the barn. So, I'm satisfied it didn't mis-advise in this respect. I think Telford provided clear information here about the costs it wanted to know about so Ms B should have been reasonably clear about what she was being asked. It was then down to Ms B to give Telford an accurate answer, for it to pass on to the insurer.

Telford also needed to let Ms B know the implications of getting the sum insured wrong. I've thought about whether it did so, in Ms B's case. And I can't see it did specifically draw her attention to the under-insurance condition within the policy. But I think if Telford had made Ms B aware of the implications she would still have chosen to insure the property for £300,000. I say this because when Ms B brought her complaint to this service she maintained the figure was sufficient to rebuild the barn.

Ms B also said the policy documents didn't sufficiently link the rebuild value to any consequences but the statement of fact says the following, *"if any of the information in the proposal form/statement of fact is incorrect please contact us immediately. This is important*

*because failure to advise us could lead to your policy being cancelled, or a claim rejected or not fully paid."*

From this I think it would have been clear to Ms B the information given at the point of taking out the policy is important and the particular importance of getting the sum insured right. Based on this I think Telford provided clear enough information to show what was required. Telford sent the policy documents to Ms B. I would have expected they would be checked to ensure the cover and other details were correct. I can't see any evidence Ms B contacted Telford to ask for any clarification. And so, I wouldn't have expected Telford to do anything more at this stage.

The policy says, *"It is important that you ensure all statements you make on proposal forms, claim forms, and other documents, are full and accurate. If a form is completed on your behalf you should check that the answers shown to any questions are true and accurate before signing the document."* The documents Telford sent to Ms B made it clear it was important the information provided was correct.

Ms B's policy explains that if the cost of rebuilding the whole building is more than the sum insured for the building the insurer will settle in the same proportion. So if the sum insured only covers two-thirds of the cost of rebuilding the property the insurer will only pay two-thirds of the claim. So, I think the policy documentation sent to Ms B made it clear what would happen if she underinsured her policy.

I know this has been a difficult and stressful time for Ms B. However I think it's fair to say most upset has been caused to Ms B because her home is not fully insured. This complaint is about the sale of the policy and not the insurer's decision. And so I'm not commenting on the outcome of the insurance claim here.

I accept this leaves Ms B in a very difficult situation. But in the circumstances I cannot fairly or unreasonably require Telford to do anything differently. So it follows that I don't intend to uphold this complaint.

### **My final decision**

For the reasons explained above I am not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 27 April 2023.

Kiran Clair  
**Ombudsman**