

## **The complaint**

Mr L and Mrs L complain about their broker, Advisory Insurance Brokers Limited (AIB). Their complaint is about the rebuild value of their property under their home insurance policy being less than it should have been, meaning they were underinsured. They believe AIB provided the rebuild value and, consequently, mis-sold the policy to them.

Any reference to AIB in this decision includes their agents.

This decision covers Mr L and Mrs L's complaint about AIB, as the broker through which they took out their policy. It doesn't cover the decision of the insurer of the policy (T) to reduce the amount of Mr L and Mrs L's claim by 50%, due to their being underinsured.

## **What happened**

In May 2021 there was a flood in the kitchen of Mr L and Mrs L's property. They contacted T to tell them about the flood and lodge a claim. Given the extent of the damage T appointed a loss adjuster to assess the claim.

However, when the claim was assessed, T concluded that the buildings sum insured was less than the sum that should have been included under the policy. They estimated the sum was 50% of what it should be. So, Mr L and Mrs L were underinsured. T said they would reduce the value of their cash settlement of the claim by 50%, reflecting the underinsurance.

Unhappy at their claim being reduced, Mr L and Mrs L complained to this service. They said they were told the rebuild cost of their property by AIB when they took out the policy (in 2014). They'd been affected financially by having to pay the cost of reinstating the kitchen. They wanted AIB to either appoint contractors to reinstate the kitchen or settle the claim at the full amount.

As Mr L and Mrs L complained to this service without having previously complained to AIB, we asked AIB to consider the issues raised by Mr L and Mrs L. In their final response, AIB didn't uphold the complaint. They said when acting for consumers to arrange a policy, they couldn't advise on the amount they should insure their property, although they were able to provide an estimated cost of rebuilding a property from the Building Cost Information Service (BCIS). But they highlight it was an estimate only and should be checked (by the consumer) to ensure it was adequate for their purposes. They referred to information on the buildings sum insured in the documentation issued when the policy was taken out, and subsequently in documents issued at renewal of the policy through to 2022. And that the policyholder should check the figures provided. Based on this, AIB didn't accept the policy was mis-sold. Our investigator then considered the complaint but didn't uphold it. She found the sum insured for the buildings (and contents) element of the policy had changed several times since the policy was first taken out. The buildings sum insured was initially £200,000 then increased to £226,835 in 2017 and to £275,123 in 2018. The figure increased at renewal to £282,881 (2019); £292,046 (2020); £307,758 (2021); and £598,860 in 2022. As the sum had changed each year since 2017, the rebuild value had been re-assessed regularly since the policy was taken out. AIB hadn't made any of the changes in the buildings sum insured. Together with the policy documents stating the level of cover was based on answers to

questions provided by Mr L and Mrs L, the investigator concluded the underinsurance wasn't due to any error by AIB.

Mr L and Mrs L disagreed with the investigator's view and asked that an ombudsman review the complaint. They said they hadn't made any changes to the buildings sum insured and didn't know where the changes to the buildings sum insured came from.

AIB responded to say they didn't provide Mr L and Mrs L with the initial buildings sum insured when the policy was taken out. They said Mr L and Mrs L increased the buildings sum insured when the policy was renewed in 2018. Thereafter, changes to the sum insured were the result of automatic index linking, a standard feature of the policy.

Mr L and Mrs L further responded to say they increased the buildings sum insured in 2018 by the cost of an extension they had built to the property. Having spoken to other insurance brokers, their view was the policy had been mis-sold. So, Mr L and Mrs L should be entitled to the full value of their claim.

### **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.

My role here is to decide whether AIB have acted fairly towards Mr L and Mrs L

The main issue in this complaint is whether the underinsurance of the buildings sum insured was the result of the figure being provided by AIB (as Mr L and Mrs L maintain). Mr L and Mrs L say they haven't made any changes to the buildings sum insured (other than to increase the sum by the cost of an extension they had put on the property). As such, they believe the policy was mis-sold and they should be entitled to the full value of the claim.

AIB say they didn't provide the buildings sum insured when the policy was taken out. They say Mr L and Mrs L increased the buildings sum insured when the policy was renewed in 2018, and thereafter changes were the result of automatic index linking.

In considering this issue, I've looked at the available evidence and information available, including about the policy when it was taken out in 2014. In the letter confirming the policy, including the Policy Schedule, it includes the following statement:

*"This policy has been prepared based on information supplied by you and meets the demands and needs of those wishing to cover their buildings and/or contents against insured perils. A full breakdown of the information is provided in the enclosed Statement of Fact. It is very important that you contact us if any of the information is incorrect as it could invalidate your cover or alter the terms of your premium."*

The Policy Schedule includes a figure of £200,000 as the "Sum insured up to" under the Buildings heading. It also contains the following statement under the heading "Sum Insured":

*It is essential, and in your own interest, that you consider the adequacy of your cover advising us immediately of any increase or alterations required. Please check that the sums insured contained in this Policy Schedule represent the full re-instatement value of your equipment etc. Failure to specify an accurate sum insured could result in claims payments being reduced by the proportion of the stated sum insured to the correct value at risk."*

The same wording is included within the Policy Schedules issued at subsequent renewal of the policy. The same figure of £200,000 is included under the Statement of Fact document under the heading “2. *Buildings Sum Insured*”. Given these references, I think it’s clear the £200,000 figure is the responsibility of Mr L and Mrs L and that they should consider the adequacy of the sum (the £200,000) and correct it if it isn’t accurate (or sufficient).

Looking at subsequent renewals of the policy, as set out above the sum insured was amended from 2017 through to the most recent renewal in 2022. The renewal documents make it clear policyholders should check the information (including sums insured) to ensure they are accurate and complete. So, it’s the policyholder’s responsibility to ensure the figure is accurate and appropriate – not the broker’s (AIB).

As the figure has increased significantly since 2014, I don’t think the figure when the policy was taken out is relevant for the purposes of whether the property was underinsured at the time Mr L and Mrs L made their claim. Rather, it was the current figure. Which would have been the responsibility of Mr L and Mrs L to ensure was accurate and appropriate.

Mr L and Mrs L say they updated the buildings sum insured at renewal in 2018 for the cost of an extension they had added to the property. Which indicates they recognised the need to notify any ‘increases or alterations required’ (per the above Policy Schedule reference). I also think it reasonable to have expect them to also consider whether the underlying sum insured remained accurate and appropriate (as was their responsibility, as the Policy Schedule reference makes clear).

I’ve considered Mr L and Mrs L’s point that they haven’t made any changes to the buildings sum insured (other than to increase the sum by the cost of an extension they had put on the property).. AIB say that (since 2018) the figures for sums insured have increased due to automatic indexation. This seems reasonable. But again, it doesn’t absolve the policyholder from checking the accuracy of the sum insured figure (including increases to the sum insured – however they have been determined).

Taking all these points into account, I’ve concluded AIB aren’t responsible for the accuracy and adequacy of the buildings sum insured – Mr L and Mrs L are. So, I can’t conclude they’ve acted unfairly or unreasonably towards Mr L and Mrs L.

### **My final decision**

For the reasons set out above, my final decision is that I don’t uphold Mr L and Mrs L’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr L and Mrs L to accept or reject my decision before 20 March 2023.

Paul King  
**Ombudsman**