

## **The complaint**

A company that I will call J complains about the support provided by Aviva Insurance Limited in relation to its commercial insurance policy during the COVID-19 pandemic.

## **What happened**

The following is intended only as a summary of the events in question. Additionally, whilst other parties have been involved in the correspondence, I have just referred to J and Aviva for the sake of simplicity.

J operates as a fancy-dress shop and held a commercial insurance policy with Aviva. In March 2020, J closed its premises as a result of the COVID-19 pandemic. And contacted Aviva in April 2020 seeking assistance with the policy. This contact was by phone and, due to Aviva having to change its own working practices at the time, there is limited detail regarding this call. J's requests apparently included for the policy to be put on hold – potentially extending the term of the policy in line with the period the shop was closed. Aviva appears to have responded saying that payment holidays were not possible.

Some months later, J raised a complaint about the assistance that had been provided. Aviva did not uphold the complaint, confirmed that it was not offering payment holidays and saying that it had to treat all customers fairly. J referred its complaint to our Service.

Our Investigator thought the complaint should be upheld. He thought that even if payment holidays weren't possible (especially given J had already paid the premium in full), Aviva should have explored other options to help given the financial difficulties J was apparently in.

The Investigator noted that the Financial Conduct Authority (FCA) had issued guidance in relation to actions financial businesses such as Aviva should take in relation to the policies they offered in light of the pandemic. The Investigator noted that J had originally contacted Aviva prior to this guidance being issued, but that it was already open to Aviva to take similar action without waiting for this guidance. And he said Aviva should review J's policy to consider what cover was necessary in light of the pandemic and refund any part of the premiums as a result of this.

Aviva responded, saying J had never asked it to consider reviewing cover. And that doing this for J would set a precedent with other customers. Aviva also said that the policy was a package, with only core covers included. Aviva did note that it was offering "Liability Premium rebates" for a period, but that it hadn't been asked to consider this for J.

As Aviva did not agree with the Investigator's opinion, this case was passed to me for a decision. I initially emailed Aviva and explained that, as Aviva was in a position of greater knowledge about the policy, it should have thought about J's situation proactively when contact was made. I also said that it was my understanding that the policy J had allowed for Aviva to alter a customer's premium when, during the period of insurance, the customer provides additional information. So, I thought that Aviva ought to have thought about J's circumstances more carefully and provided greater assistance.

### *My provisional decision*

Aviva did not respond to my informal email, so I issued a provisional decision setting out what I thought a fair and reasonable outcome would be. I said the FCA had recognised that the pandemic and related circumstances could not only cause policyholders financial difficulties but may also have an impact on the risks posed by these customers to their insurers. The FCA issued several relevant guidance notes. And I considered the most relevant to be “Product value and coronavirus: guidance for insurance firms”<sup>1</sup>, first issued in June 2020.

I explained that this guidance required insurance firms to consider whether and how coronavirus may have materially affected the value of their insurance products. I pointed out that such an assessment would need to be made at a ‘product level’ rather than for individual customers. This essentially meant Aviva should have reviewed the product it was providing against the changed circumstances impacting its target market.

The policy J had was a “shop policy”, so I said it seemed likely Aviva’s target market for this product was shops – a large proportion of which would have been closed as a result of the pandemic. I thought that during the period a shop is closed, and potentially outside of these periods, the risks associated with certain parts of the policy would have been greatly reduced. The guidance specifically refers to “public liability insurances for businesses that are unable to open”, but I didn’t think the required assessment should necessarily be limited to public liability insurance. The guidance is relevant to all non-investment insurance products that would’ve been offered to a customer like J.

I noted that this FCA guidance was issued after J had initially contacted Aviva. But that it wasn’t clear that Aviva has acted upon it to date. I had not been provided with any evidence that Aviva has carried out a review of this product and the value it provides. Even if it is not reasonable to expect Aviva to have followed the as yet unpublished guidance in April 2020, it isn’t clear why this had not been done by the time of J’s complaint – if indeed it hadn’t been.

Additionally, at the time of J’s initial contact Aviva was required to take into account the existing rules and guidance, including the overarching Principles in the FCA Handbook and the requirement to treat customers fairly that arises from these. So, I considered Aviva should have thought proactively about J’s circumstances and provided more assistance to explore potential options to help. Without the call recording it isn’t clear what assistance was offered. But, based on the note of that call as well as Aviva’s more recent correspondence, I thought it unlikely that Aviva did offer any substantial assistance.

So, I explained I was minded to uphold this complaint and I thought Aviva needed to act to put things right. In the absence of any detail of a product level assessment, I thought the most appropriate outcome was for Aviva to pay J £250. This would take into account both the potentially change in risk relevant to the policy and also compensate for the lack of assistance provided.

I invited both parties to respond to my provisional decision. J accepted the proposed outcome. Aviva did not respond.

### **What I’ve decided – and why**

I’ve considered all the available evidence and arguments to decide what’s fair and

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<sup>1</sup> <https://www.fca.org.uk/publications/finalised-guidance/product-value-and-coronavirus-guidance-insurance-firms>

reasonable in the circumstances of this complaint.

In the absence of any additional comments or evidence, and having thought about the evidence and arguments available to me, I consider the outcome I provisionally reached to be fair and reasonable for the reasons set out above.

### **Putting things right**

Aviva Insurance Limited should pay J £250 compensation.

### **My final decision**

My final decision is that I uphold this complaint. Aviva Insurance Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask J to accept or reject my decision before 24 February 2023.

Sam Thomas  
**Ombudsman**