

The complaint

Ms C is unhappy with how Fairmead Insurance Limited has administered her home insurance policy. And that it hasn't assisted her with issues she has experienced with some renovation work to her property.

What happened

Ms C initially phoned Fairmead to check if she would still be insured while renovation works were carried out on her property. Ms C was told that if the works cost in excess of £100,000 her policy would have to be cancelled. The conversation was left that Ms C would call back once it was decided how the renovation works would progress.

Ms C went on to have the works completed in two stages. A loft extension was completed without issue; however, the side extension ran into problems. There were issues with the quality of the build and Ms C reports damage was caused to her property.

Ms C had a legal expenses insurance policy combined with her home insurance policy, so she made a claim on this for assistance with legal costs associated with taking action against the builder. This was declined as there was an exclusion in the policy that contracts related to building works are not covered under the policy.

Ms C took action against the builder privately and the matter was mediated to a conclusion. However, the builder then liquidated, and Ms C was left with an unfinished project and damage to her home, with no way of rectifying it.

Ms C then approached Fairmead for assistance but it declined to help saying there was no cover under her home insurance policy for the issues she wished to claim for. It explained, had Ms C called them back to say the renovations were going ahead she would have been informed about the exclusions which applied in the policy. These essentially restricted the cover available and made it clear that damage caused by the builders or related to the building work, would not be covered under the policy.

Ms C was unhappy about this and that Fairmead overall has not provided her with any assistance with the issues she has experienced.

My provisional findings

I issued my provisional findings on 19 January 2023. I said I intended to uphold the complaint for the following reasons:

"I understand Ms C has strong views about what has happened, and she's explained how much this has impacted her. I want to assure her I've read and considered carefully everything she's said. However, my findings focus on what I consider to be the central issues, and not all the points raised. This isn't meant as a discourtesy. But the purpose of my decision isn't to address every single point the parties have raised or to answer every question asked. My role is to consider the evidence presented by Ms C, and by Fairmead, to reach what I think is a fair and reasonable decision based on the facts of the case."

Having done so, I don't think Fairmead would have been able to provide assistance to Ms C in respect of the issues she has experienced. However, I do think it could have been clearer in its initial call with her to manage her expectations on the extent of insurance coverage she would have if building works went ahead. So I will be making an award of compensation. I'll explain why I've reached this conclusion.

- The legal expenses insurance section of the policy does contain an exclusion which means any breach of a contract which is associated with building work would not be covered. So Ms C was correctly informed her claim for assistance with legal expenses would not be covered. This isn't an unusual exclusion and so I don't think it would have needed to be specifically highlighted to her.*
- In respect of home insurance policies, it isn't unusual for exclusions to apply for the duration of any such building works. Insurers will choose what risks they are prepared to cover and usually those associated with renovations/property alterations aren't one's home insurers will ordinarily cover. This is due to the fact, as Ms C has unfortunately experienced, things can go wrong, and the proper recourse is generally against the builder directly.*
- This isn't to say no cover would be provided for the home, but that it would continue based on the normal insured perils and claims unrelated to the building work would be covered according to the terms and conditions of the policy.*
- When Ms C called to speak with Fairmead to discuss the proposed works, the conversation centred around the cost of the works being in excess of £100,000 and therefore overall Fairmead wouldn't be happy to continue insuring the property whilst such works are undertaken. However, Ms C said it hadn't been decided yet which works would take place and that the cost might be less than that. The agent advised if that was the case the policy could continue with exclusions – but she didn't provide any more detail on what those exclusions were. The conversation was left that Ms C would call back.*
- Ms C didn't call Fairmead back, and therefore she wasn't informed of the exclusions that would apply in the policy when building works started. However, I don't think this means that Fairmead shouldn't be able to rely on them now. As I have explained above, they are reasonably standard exclusions.*
- But I do think Fairmead missed the opportunity on the call to explain further what exclusions would apply if she did continue with building works under the £100,000 threshold and what that would mean in practice. i.e. it didn't mean her home insurance policy would cover anything that may go wrong with the building works.*
- Had it of done so, Ms C may have realised that in order to insure against anything going wrong with the building work itself or any damage caused by it, she would need to separately seek a specialist insurance policy. I'm not suggesting a specialist insurance policy would have covered the circumstances Ms C experienced, it may not have done. Simply that I think Fairmead could have done more here.*
- Ms C has mentioned she couldn't easily access her policy documents to check what cover the policy provided, as they were on a secure portal. She explains that is why she phoned Fairmead and relied on what she was told. However, I don't think that changes my decision here. Ms C called simply to notify Fairmead she was having building work done. She didn't ask for a copy of the policy document to be sent to her or did the agent go so far as to tell her that everything was covered. As I've pointed out above the agent did mention exclusions would apply.*

- *I understand from what Ms C has said, this matter as a whole has had a significant impact on her. However, I have to separate that from what Fairmead has done wrong. Here, the policy wouldn't have provided assistance to Ms C for the circumstances in which she needed it. However, as I have explained above, I think Fairmead could have done more to aid Ms C's understanding of the situation and as such I think it should pay her compensation of £250 to reflect this.*
- *Ms C has said if the policy didn't provide the cover she thought it did, then she would like her premiums returned with interest. I won't be asking Fairmead to return the premiums paid for the policy as it did provide a level of cover for her home and contents (subject to exclusions) while the building work was happened.*
- *Ms C has said that she thinks the home insurance policy was mis-sold to her. As I understand it, the policy was taken out via a comparison website and therefore, she would need to direct such a complaint accordingly."*

Responses to my provisional decision

Fairmead did not respond to my findings.

Ms C reiterated that she was told by the agent on the phone that she was covered for building work up to £100,000. She can't recall being told there would be exclusions and thinks these would then cancel out what she was told. She mentions the call I have listened to isn't a full copy as there was a discussion about Fairmead possibly increasing the amount of building work allowed to £135,000. She questions if I have been provided with the full call and why Fairmead would supposedly delete this for data protection reasons.

Ms C also confirms she has been able to get insurance were the cover remains intact when building work is ongoing. And reiterates she would have got this insurance if she was told the building work wasn't covered.

Ms C says the Fairmead agent gave her the wrong information and therefore she believes Fairmead should be held accountable for this and the impact it has had.

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've considered what Ms C has said, however I'm not minded to change my outcome or intended settlement.

In my provisional decision I recognised that Ms C may well have been able to get a specialist insurance policy which covered any issues which happen with the renovations, so I wouldn't need to see the policy she has been able to source.

In the call, at the point where it was thought the building works would breach the £100,000 upper limit, it was also explained to Ms C and that she could go on a comparison website to search for such policies. But some may add exclusions for different things. But the agent agreed that she should be able to get cover without issue. There was also discussion about the reasons why Fairmead don't cover higher value renovations and the risks involved.

There are essentially three different scenarios that will happen in cases such as this, an insurer provides no cover (which was the original scenario), it covers the existing structure but not anything related the renovations works (which is what happened) or it covers the

existing structure and some risks associated with the renovations (a specialist bespoke policy).

Here the issue is Fairmead continued covered the existing structure but the exclusions in the policy meant issues related to the renovations wouldn't be covered. So the policy did still provide insurance cover to the property. I've listened to the call again and the agent did mention exclusions would apply however, as Ms C didn't call back as she said she would, she didn't get to hear what those exclusions were.

As I mentioned in my provisional decision, I think Fairmead could have aided Ms C's understanding a little more. But I don't think it would be fair or reasonable to hold Fairmead responsible for putting right the issues Ms C experienced with build as it wasn't wholly responsible for the misunderstanding she had.

On the call I listened to, the agent did give her opinion that the building work limit might have to be reviewed due the cost of works people are now having done. No amount was specifically mentioned so this might have been in a different call. From listening to the call, I can't identify any areas where the call could have been stopped, the conversation flowed naturally between the parties with no break. In any event, from what I did hear, I think it was enough for me to make the decision that I have.

So the reasons above, and those set out in my provisional decision, I uphold this complaint and direct Fairmead to pay Ms C £250 compensation.

Putting things right

Fairmead should pay Ms C £250 compensation.

My final decision

My final decision is that I uphold Ms C's complaint against Fairmead Insurance Limited. I direct it to pay Ms C £250 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 10 March 2023.

Alison Gore
Ombudsman