

The complaint

Mrs C has complained about how Royal & Sun Alliance Insurance Limited (RSA) dealt with her claim under her home insurance policy when it said she was underinsured.

What happened

Mrs C contacted RSA to make a claim for storm damage. RSA accepted the claim. While it was assessing it, RSA decided Mrs C was underinsured.

Mrs C complained to this service. While the complaint was being looked at by our investigator, RSA reached a decision on the underinsurance. It agreed with Mrs C that her broker index-linked the sums insured. It was therefore reasonable that Mrs C thought the property was insured for the correct sum. RSA overturned the decision to make a proportionate settlement and said it would pay the full settlement figure.

Our investigator said it was fair that RSA had reviewed and then changed its view about the underinsurance. However, she said RSA could have kept Mrs C up to date better and started its investigation into the underinsurance sooner. She said RSA should pay £250 compensation.

As Mrs C didn't agree the amount of compensation reflected the impact on her, the complaint was referred to me.

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 uphold the complaint. I will explain why.

RSA has already reviewed its decision and agreed with Mrs C that it wasn't fair for it to decide that she had underinsured her property. It accepted that her broker increased the sums insured each year and that this was index-linked. It said Mrs C was therefore under the impression that she had the correct sums insured.

I'm aware the main issue now is compensation. Mrs C has said how RSA dealt with its concerns about underinsurance caused her a lot of inconvenience that required significant compensation and more than our investigator had recommended. So, I've thought about this carefully.

Mrs C made a claim for storm damage. A few weeks later, RSA identified there might be an issue with underinsurance. About two months after the claim was first opened, RSA decided the property was underinsured. For several months after this, Mrs C continued to contact RSA both about the claim itself, as this was still in progress, and about the underinsurance. Mrs C explained to RSA that the insured sum was from her broker and continued to chase RSA to get it to change its underinsurance decision. About a year after Mrs C first made the claim, RSA agreed with Mrs C.

I can see this was a difficult and stressful time for Mrs C. I've seen a range of emails Mrs C sent to RSA. These emails weren't only about the underinsurance but also covered other aspects of the claim. I think a number of these emails would have needed to be sent regardless of the underinsurance issue, as they were clarifying other aspects of the claim.

I think it was reasonable for RSA to look at whether Mrs C was underinsured and where the sum insured had come from, which was the broker. However, RSA took longer to look at why the broker had provided the sum insured that it did and Mrs C's role in this. I think it could have looked at this sooner and overturned its decision on the underinsurance and proportionate settlement earlier than it did. I also think it took persistence from Mrs C to reach this point. I'm aware Mrs C has also described the impact on her health and wellbeing.

Having looked at all the evidence provided, the circumstances of what happened and this service's approach to compensation, I think RSA should pay Mrs C £250 compensation. I'm aware this is less than Mrs C thinks RSA should pay. However, I think this is a fair amount based on everything I have considered.

Putting things right

RSA should pay Mrs C £250 compensation.

My final decision

For the reasons I have given, it is my final decision this complaint is upheld. I require Royal & Sun Alliance Insurance Limited to pay Mrs C £250 compensation.

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

Louise O'Sullivan
Ombudsman