

The complaint

A company I will refer to as L complains that ADI Global Speciality SE (ADI) incorrectly increased its premium under its commercial property insurance policy.

What happened

L had a legal dispute with a customer regarding a debt that was owed to it. This began in December 2018. At a later renewal in January 2022, it was recorded that the dispute had been settled. After this was noted on the policy it resulted in a significant increase in the premium.

For the policy year that ran from January 2022, the premium HDI charged was £1,320.79. L complained about this. HDI responded to say a mistake had been made, as the premium should have been increased earlier than the January 2022 renewal. It says the policy shouldn't have renewed automatically. Had it acted correctly, the premium it charged would've been higher. HDI says L had therefore benefitted from a lower premium.

L didn't accept this and referred its complaint to our service. The administrator for L's policy, authorised to act on HDI's behalf, then reviewed the matter and offered a settlement. It says it wasn't clear that L's legal claim made externally to the main policy should have impacted on L's premium. It offered to provide a refund assuming the premium had been offered on standard terms. This meant a refund of £944.59 (£1,320.79- £376.20) plus £250 compensation.

Our investigator thought this offer was fair. L didn't agree. It says the increased premium impacted on business decisions around the scope of its work. It says this meant removing building trade as well as cleaning work from its insurance cover.

L also says it has spent time dealing with this matter, which has caused distress and inconvenience. It says it has incurred interest and fees as a result of paying its premium in instalments due to the price increase. Because of this L says the compensation payment should be higher.

Our investigator didn't agree so L asked for an ombudsman to consider its complaint.

It 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'm upholding L's complaint, but I think the offer HDI made is reasonable, so I won't ask it to do any more. Let me explain.

I've seen the information L provided from a website relating to its insurance policy. This provides answers to frequently asked questions. The following excerpt is of relevance here:

“..any claim on your legal insurance would not count for the purposes of no claims bonus or similar against the main insurance policy that you have bought your cover with.. we do reserve the right to cancel the policy or refuse to invite renewal of it if there are an excessive number of claims.”

The indication from this is that the legal claim L made originally in late 2018 wouldn't impact on HDI's premium as it wasn't part of a risk consideration. In its submissions to our service HDI's administrator re-affirms this point as it says it isn't clear that the legal claim should've been a consideration. As a result, it's willing to provide a refund based on the premium calculated at its standard rate. This is a refund of £944.59.

HDI also offered a £250 compensation payment. L's complaint focuses on this amount. It says the scope of work the business does has been reduced as a result of the reduction in cover. It says it had no option but to agree reduced cover in order to bring the cost of the insurance down.

In its submissions to our service HDI says L told it during a call in January 2022 that it no longer did building or cleaning work, so this could be removed. HDI says building work increases the premium so by removing this cover it was able to reduce the premium. I asked HDI for a copy of this call recording to clarify what was discussed, which I've now listened to.

The call lasts around forty minutes. The increased cost of insurance is discussed. The agent tells L this is most likely in relation to rate increases. It was discussed with L about what cover it needed. L's representative explained that in terms of cleaning and building work that it, *“touched on this in the past...but not so much now”*. The agent amends the cover to see if the premium could be reduced by removing cleaning and building work. The agent tells L that if you're not doing this work now we can, *“get rid of that”*. He tells L this can be added later again if needed.

Based on this conversation L agreed to the cover being removed for cleaning and building work. The indication given by L in the call is that this was work it had done in the past, but it didn't now.

L says it has suffered a financial loss over the last year as a result of the reduced cover provided.

I've read L's testimony and supporting information in detail. However, from this, I can't see that it suffered a loss as a result of the reduced cover. HDI maintains the cover was reduced as L no longer did building or cleaning work. I note L's comments that cover reduced from £5,000,000 to £2,000,000 then down to £1,000,000. I understand this relates to the public liability cover in place. I acknowledge that cover was reduced in order to bring down the cost of the annual premium. But L hasn't provided information to support its claim that its business was impacted by the reduced cover.

I acknowledge L's comments that it has suffered distress and inconvenience over a period of 13 months. However, the complaint against HDI has been raised by a business. It can't suffer distress in the way that an individual can. I think it's reasonable that HDI compensates L for the time it spent disputing the premium increase. But I think £250 is fair. I also think it's fair that HDI agreed to provide a refund based on its standard rates. So, I can't reasonably ask it to pay more.

My final decision

My final decision is that I uphold L's complaint. If it hasn't already HDI Global Speciality SE should:

- pay L £944.54 as a premium refund; and
- pay L £250 compensation for the time it spent disputing the premium increase.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 18 May 2023.

Mike Waldron
Ombudsman