

The complaint

Mr Q complained that he was mis-sold a home insurance policy by Mortgage Advice Bureau (Derby) Limited (“MAB”) which led to him being unable to make a claim for an escape of water at his home.

What happened

MAB acted as a mortgage broker, securing a mortgage for first time buyer Mr Q. As part of the process, Mr Q said he asked MAB to arrange insurance cover for his property. When his mortgage confirmation came through, the email Mr Q received confirmed his insurance cover was in place.

Mr Q then had a leak at his property which caused significant damage. When Mr Q went to make a claim against his insurance cover, he was told by MAB that it hadn’t arranged it. Mr Q wants MAB to honour his claim and indemnify him for the damage.

MAB said it never provided Mr Q with insurance cover. Mr Q initially signalled he wanted to have a protection review to discuss his insurance needs amongst other requirements. However, MAB said they were unable to contact Mr Q to have a discussion around his requirements, so his insurance needs were never received.

MAB said it didn’t collect any information (e.g., house details, excess requirements etc) from Mr Q to enable it to source a suitable insurance product. It said it hadn’t provided Mr Q with any quotes for cover or details of cover.

MAB did acknowledge that it sent Mr Q an email which included confirmation insurance cover was in place. But it said it was sent in error and it offer £100 compensation for the distress and inconvenience the confusion caused. However, it said *“based on the balance of probabilities, given that the discussion around policies, the property, and features and benefits did not occur, and you were not in receipt of any illustrations or a Suitability Letter, and did not agree to a monthly premium, I believe it should have been apparent to you that no recommendation had been made”*.

Our investigator decided not to uphold the complaint. She said MAB didn’t have ultimate responsibility for ensuring buildings insurance was in place at the time of completion, so didn’t think it was reasonable to hold MAB accountable for indemnifying the damage. She also thought Mr Q shouldn’t have relied on the email that MAB sent. Mr Q disagreed, so the case has been referred to an ombudsman.

My provisional decision

I issued a provisional decision on this on 29 March 2023. I said:

“Mr Q was a first-time buyer of a property. He’s said he wasn’t familiar with the process of arranging insurance for a property. MAB said it hadn’t done a fact-finding exercise to equip it with the information to allow it to source insurance cover. For example, it didn’t know details of the house, what cover was required or what excess. Mr Q said MAB had collected a lot of

information about his circumstances and his house to allow it to arrange a mortgage for it. So, he thought the details collected were sufficient for insurance to be arranged.

It's difficult for me to assess Mr Q's knowledge of what's required to enable insurance to be arranged, but I think as a first-time buyer it's likely Mr Q would not have experienced purchasing home buildings insurance before. I've also considered that buying a home for the first time would be quite a stressful decision and process to complete, so I think Mr Q would be quite reliant on experts, such as MAB to navigate him through the process.

When Mr Q received an email from MAB telling him he had insurance in place, he said he assumed this was correct. I think this is a fair assumption for Mr Q to make. I appreciate MAB said it tried to recall the email and have shared a screenshot of evidence this. However, I'm not convinced the recall would've worked on the email as Mr Q had already opened it. At this stage, I would've expected MAB to do more to make sure Mr Q knew this was an error – I think it should've called Mr Q and sent a follow up email / letter to explain what had occurred. MAB should've clearly communicated insurance wasn't in place.

MAB did say it sent a correction email immediately after the error occurred, but Mr Q denies receiving this. I haven't seen evidence to support this was sent, so I have assumed it wasn't. I also haven't seen any evidence Mr Q explicitly changed his mind and indicated to MAB he didn't want them to arrange his insurance cover.

I can see MAB did sent a postal letter on 21 May which said Mr Q had advised he didn't want to consider a recommendation for several listed risks, which included damage to property. Mr Q said he didn't receive this letter. However, I don't think the letter is clear anyway. So, even if it was received, I don't think it was likely to prompt any action from Mr Q. The letter reads that Mr Q stated he didn't want an insurance recommendation, but then goes on to confirm MAB hadn't spoken to Mr Q or been able to contact him – so I don't think it could've concluded what it did.

I think the facts remain Mr Q received an email stating he had insurance in place – there is evidence of this. He wasn't an experienced home buyer, so I don't think he would've thought anything was wrong. I think he genuinely thought he had cover. There isn't evidence that MAB contacted Mr Q and confirmed with him this was an error. The letter on 21 May also confirmed Mr Q's mortgage wouldn't go ahead unless insurance was in place. As his mortgage had been granted, I can't see why Mr Q would reasonably have thought he didn't have cover.

Therefore, I intend to uphold this complaint as I think based upon the evidence Mr Q was likely to think his cover had been arranged. Although, MAB weren't responsible for providing cover, I think its error led to Mr Q to believe he had cover. Therefore, I intend for MAB to indemnify Mr Q for the loss he has experienced from the escape of water incident. If MAB can provide evidence that Mr Q was reasonably informed about the error, then I'm likely to re-consider my decision".

Responses to my provisional decision

Mr Q accepted my provisional decision and didn't have anything further to add.

MAB didn't respond to my provisional decision.

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.

As I haven't received any further information, I see no reason to change my provisional decision.

My final decision

My final decision is that I uphold this complaint. I require Mortgage Advice Bureau (Derby) Limited to:

- Indemnify Mr Q for the loss he has experienced from the escape of water incident.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Q to accept or reject my decision before 17 May 2023.

Pete Averill
Ombudsman