

## **The complaint**

Mr C is unhappy with the way Avantia Insurance Limited sold and renewed his home insurance policy.

## **What happened**

The circumstances of this complaint aren't in dispute, so I'll summarise the main points:

- Mr C took out home insurance through Avantia in 2019. It was underwritten by an insurer, X. The policy renewed in 2020 and 2021.
- Prior to the next renewal, Mr C got in touch with X to make a claim. X accepted the claim but sought to reduce the settlement on the basis Mr C had underinsured the outbuildings. It offered to pay around 37% of the claim value.
- Mr C didn't think this was fair. He said he hadn't been made aware prior to the claim that he was underinsured.
- Avantia said when it sold the policy it had specifically asked Mr C about the rebuild cost for his property and outbuildings. And it gave him guidance about how the word 'outbuildings' was defined in X's policy. After the sale and at the renewals, it had clearly set out how much cover Mr C had for his outbuildings – and he hadn't asked to increase the sum insured.
- Our investigator thought the complaint should be upheld. She said Avantia hadn't been clear at the renewals about what the sum insured should cover. So it hadn't met its duty to ask clear questions and provide clear, fair and not misleading information about the policy to Mr C. She said this had contributed to delays during Mr C's claim with X and asked Avantia to pay £100 compensation to him for that.
- Mr C agreed with what our investigator said. Avantia didn't. It reiterated its earlier points. That didn't change our investigator's mind.
- A separate complaint has been considered against X. In brief, it's been upheld on the basis that X should pay 93% of the claim value.
- This complaint is solely about the acts and omissions of Avantia in its role as broker when it arranged the policy each year.

## **My provisional decision**

I recently issued a provisional decision in which I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

When an insurer sells a policy directly to the consumer, it's responsible for gathering information from the consumer that it considers relevant – such as the rebuild cost for outbuildings.

When a broker sells or renews a policy, it's responsible for gathering that information from the consumer and passing it to the insurer. It's required to provide information that's clear, fair and not misleading. That includes asking clear and relevant questions and explaining and sufficiently highlighting to Mr C steps he must take in order to provide the right information to the insurer. These duties apply at the sale and all subsequent renewals.

X wanted to know how much it would cost to completely rebuild all Mr C's 'outbuildings'. Within the policy booklet, this word is defined so its full meaning is explained. It says it includes, amongst other things, detached garages, sheds, fences, driveways and patios. I'll go on to consider whether Avantia gave Mr C sufficient information and guidance to provide that information.

During the sale in 2019, Mr C was asked:

*Your policy includes £7,500 cover for rebuilding or repairing all detached outbuildings. Is this sufficient?*

Mr C selected the 'yes' button. This question doesn't make clear that Mr C is required to estimate the cost of rebuilding the 'outbuildings' and provide that figure. I think it gives the impression that Mr C can choose to be covered for up to £7,500 in the event of damage to his outbuildings and it's up to him to decide whether this is sufficient for his needs.

As displayed online, the word 'outbuildings' wasn't defined. There is a question mark next to the question which, when pressed, reveals more information about it. But it doesn't appear Mr C was required to press it in order to proceed. That means he may not have seen the extra information, so I'm not persuaded it would be fair to take it into account.

But even if he did see it and/or was required to press the question mark to proceed, there were two renewals between the sale and the claim. The 2021 renewal is most relevant as it's the one prior to the claim.

At that time, Mr C was asked to check the information provided by Avantia and let it know if anything had changed. The information included:

*Outbuildings cover  
Sum Insured: £7,500  
See Section 1 in your policy booklet*

There are no other statements or any questions about the outbuildings cover. There is no further explanation about what the word 'outbuildings' means or what Mr C should think about when deciding if £7,500 is a reasonable amount.

Even if Mr C had seen more information about this online in 2019, I don't think it would be reasonable to expect him to remember the detail of it two years later.

I don't think Avantia conveyed to Mr C what X wanted to know at the renewal. It didn't mention the full meaning of the word 'outbuildings' and nor did it set out that Mr C needed to provide the full cost of rebuilding them. It effectively left it open to Mr C to

interpret what 'outbuildings' meant and to set a figure he was happy to insure them for.

Avantia says that Mr C was directed to the full policy booklet during the renewal. So he ought to have been aware what was meant by the word 'outbuildings'.

I agree it's important for policyholders to read the full document, as this forms the contract of insurance. But I don't think directing policyholders to read the document amounts to asking a clear question or highlighting key information, in line with a broker's duties.

Had Mr C followed the statement I quoted above, he would have gone to Section 1 – which is the buildings cover. It doesn't include the definition for 'outbuildings'. So he would have had to seek out the definitions section to find it. I don't think that's a reasonable expectation to place on a consumer. And I'm not satisfied it fulfils Avantia's requirement set out above.

I take into account that *even if* Mr C had been aware of the full definition of outbuildings, X also wanted to know how much it would cost to rebuild them in full. Avantia's policy documents asked Mr C for a 'sum insured' – and didn't explain what this phrase meant.

It's not a phrase with one single, commonly understood meaning. Without any further explanation, I think most people would consider it to mean 'the amount I'm choosing to insure something for' or similar. So again, I don't think Avantia fulfilled its requirement.

Overall, having considered the way Avantia arranged the policy, I'm not satisfied it provided clear information and took sufficient steps to ensure Mr C provided the information X wanted to know. As a result, when the claim was made with X, Mr C found his outbuildings weren't sufficiently insured. X has reduced his claim settlement, so he's lost out financially.

Had Avantia treated Mr C fairly at the 2021 renewal, and explained what Mr C needed to do to ensure he would be fully covered in the event of a claim, I think it's likely he would have insured his outbuildings for a higher amount. That means Avantia caused him to lose out financially. I also think it contributed to Mr C's inconvenience during the claim.

In these circumstances, I'm satisfied it would be fair for Avantia to pay Mr C's financial loss. X thought it would cost £2,040 to put right the damage. After reducing the claim to 93% of its value and deducting the £400 excess, it will pay Mr C £1,497.20. Were it not for the reduction, it would have paid £1,640. So Mr C's financial loss as a result of the way Avantia arranged the policy is £142.80. Bearing in mind he's unfairly been without that money for over a year, I think it would be reasonable to increase it to £150.

I'm also satisfied it would be fair for Avantia to pay Mr C compensation to recognise the distress and inconvenience it contributed to. I'm satisfied £100 is a reasonable and proportionate figure in the circumstances.

### **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.

Avantia didn't respond to my provisional decision.

Mr C responded to say he accepted my provisional decision.

As Mr C has accepted my findings and Avantia hasn't challenged them, I see no reason to change them or comment further.

### **My final decision**

I uphold this complaint and require Avantia Insurance Limited to pay:

- £150 financial loss
- £100 compensation

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 7 June 2023.

James Neville  
**Ombudsman**