

The complaint

Mrs D complains that Highway Insurance Company Limited didn't offer her continued cover following a subsidence claim.

Reference to Mrs D includes her representative.

What happened

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

- Mrs D held a home insurance policy underwritten by Highway. It was taken out through a broker, who I'll call A.
- Mrs D made a claim for subsidence in 2020, which Highway accepted and settled.
- The policy renewed in 2021 and 2022. A remained the broker and Highway the insurer at those renewals.
- Prior to the 2023 renewal, A said Highway was no longer on its panel of insurers, so it couldn't offer a Highway policy to Mrs D. Highway didn't agree to offer a policy to Mrs D directly. A offered Mrs D a policy with another insurer, but this was over three times more expensive than her Highway policy.
- Mrs D didn't think this was fair. She was in the process of selling her house, and had accepted an offer, but the buyer withdrew the offer when Highway refused to provide continued cover for the home.
- Our investigator thought the complaint should be upheld. She said guidance from the Association of British Insurers ("ABI") meant Highway should offer continued cover to Mrs D on reasonable terms. It should also extend this offer to a new buyer, bearing in mind Mrs D had plans to sell her home. She asked Highway to do this and pay £100 compensation for the way it had handled things.
- Mrs D agreed, but asked for compensation to be increased to £5,000 because she said she had to reduce the asking price for her home after the sale fell through.
- Highway didn't agree. In summary, it said:
 - It was "physically unable to offer renewal terms" because it no longer had a relationship with A and its system won't allow it.
 - It noted the ABI guidance isn't legally binding and it says there may be circumstances where continuation of cover isn't possible. It also says all decisions remain at the discretion of the individual insurer.
 - This Service doesn't have the power to make an insurer offer a policy to a particular consumer.

- Our investigator was satisfied the compensation she suggested was reasonable for the distress and inconvenience caused to Mrs D. She said any financial loss Mrs D thought she'd suffered as a result of what happened would need to be raised with Highway directly initially. She stood by her findings about continued cover.

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.

- This complaint is solely about Highway and its actions as underwriter of the policy. It's not about the broker, A, or the other insurer that offered a more expensive policy. So I haven't considered those other businesses and will focus on Highway.
- Once a property has suffered subsidence, it's usually significantly more difficult to insure on normal terms. Generally, consumers are likely to find insurers don't offer cover at all. Or, if they do, only at a considerably increased premium and/or excess. As a result, it can be very difficult for consumers in these circumstances to find home insurance which provides subsidence cover at an affordable price.
- That's why the ABI provides guidance to insurers within the home insurance industry about this. In summary, if an insurer deals with a subsidence claim for a policyholder, the guidance says it's usually good practice for the insurer to offer continuous home insurance, including subsidence cover, on reasonable terms. But it notes that all decisions on pricing and terms and conditions remain at the discretion of individual insurers. And there may be situations in which an insurer wouldn't be expected to offer continued cover – although this is rare.
- I'm satisfied this Service has the power to require an insurer to offer a policy to a consumer. Highway hasn't raised any DISP rules or other reasons that might prevent or limit our power to do this.
- I've thought about whether it would be fair and reasonable for me to require Highway to offer continued cover in the circumstances of this case. I'm satisfied it would be. I'll explain why.
- I agree this guidance isn't legally binding. It's not a rule or regulation. But it's provided by the ABI to its members which, according to the ABI's website, includes Highway. ABI members make up the majority of the UK home insurance industry. I consider that means the guidance is reflective of good industry practice. And I understand it's been routinely followed for many years, if not decades, by home insurers. So I'm satisfied it would be fair and reasonable for Highway to follow the guidance.
- The guidance notes insurers can't guarantee to maintain cover in all circumstances, although it doesn't give any specific examples of when this might be. However, it says even in 'problem cases', cover should be provided wherever possible. In my view, this means insurers should offer cover unless they can present a compelling reason not to. Generally, I think a compelling reason is one that would place the risk significantly outside of the insurer's usual underwriting criteria – but not in relation to subsidence, as that's what the industry guidance is seeking to remedy.
- The only reason Highway has put forward for why it can't offer continued cover is the end of its relationship with A. But Highway remains an insurer operating in the home insurance market, so I'm satisfied it's able to offer a policy to Mrs D without doing so

through A. If that creates system challenges for Highway, it will have to find a way to overcome them. I bear in mind that the aim of the guidance is to seek to maintain cover where possible. System limitations should not be a barrier to achieving this aim – or to providing a fair and reasonable outcome for Mrs D.

- The purpose of the guidance is for the insurer who dealt with the subsidence claim to offer continued home insurance cover, including subsidence, on reasonable terms, to ensure consumers are still able to access this cover after a claim. When Highway offers a policy to Mrs D, it should bear this in mind.
- The guidance says it would be good practice to extend the arrangement of continued cover to a purchaser, subject to 'satisfactory information about the new owners'. I understand that to mean the insurer should offer cover unless they can present a compelling reason not to, in line with the comments above. Again, Highway should keep this in mind.
- I'm satisfied the way Highway has acted by not following the ABI guidance has caused Mrs D avoidable distress and inconvenience. She's been without insurance for a number of months now and I expect that's given her cause for concern. I think £100 compensation is reasonable in these circumstances.
- Mrs D has suggested that she may lose out financially as a result of the way Highway has acted. It's possible she'll sell the house for less than she might have been able to had Highway offered continued cover earlier. I haven't considered this point as it didn't form part of Mrs D's original complaint – and such a loss is yet to happen. If it does, Mrs D is entitled to raise that with Highway for it to consider.

My final decision

I uphold this complaint.

I require Highway Insurance Company Limited to:

- Provide ongoing subsidence cover, as set out above.
- Pay £100 compensation

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 31 July 2023.

James Neville
Ombudsman