

The complaint

Mr and Mrs P complain about the sale of their home insurance policy by Advisory Insurance Brokers Limited trading as Towergate Insurance ('Towergate').

Towergate are the brokers, not the insurance underwriters, in relation to the sale of this policy.

What happened

Mr and Mrs P took out home insurance through their broker (Towergate) in 2015. In 2022 they made a claim on their policy and it came to light that they were underinsured.

They raised a complaint against Towergate about the underinsurance, the service they'd received and an incorrect excess being applied to their policy. Towergate issued their final response letter on 24 January 2023. They accepted an error had been made in relation to the excess charged and they refunded the additional excess. They offered £100 in relation to the customer service issues experienced and said that they hadn't made an error in relation to the underinsurance point.

Unhappy, Mr and Mrs P referred their complaint to our Service for an independent review. Our Investigator considered the complaint but didn't recommend that it be upheld. As Mr and Mrs P didn't accept, the complaint has been referred to me for a final 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.

Although a number of issues have been raised, my decision only addresses those issues I consider to be materially relevant to this complaint. This isn't meant as a discourtesy to either party – it simply reflects the informal nature of our Service.

Mr and Mrs P have another complaint set up with our Service in relation to the outcome of their claim. My decision will only be considering the actions of their broker here in relation to the sale and renewal of the policy, the service provided and the excess charged.

Both parties were given an opportunity to respond to my provisional decision. Only Towergate responded. They confirmed that there had been a slight increase in premiums as a result of their system error not dropping off the previous claims. They offered a total of £120.28. The approach taken appears broadly fair as they've applied a best case scenario for Mr and Mrs P, but I'd remind Towergate that 8% simple interest per annum is due on the overpayments from the date the premiums were paid, until the date settlement is made. My direction makes this clear. Mr and Mrs P have paid extra because of Towergate's system error and haven't benefited from having these extra amounts to save/spend as they wished.

As no other evidence has been presented that would materially affect the previous outcome I reached, I see no fair or reasonable reason to deviate from my provisional decision findings.

I've included them below for ease.

The sum insured

At the heart of Mr and Mrs P's complaint is their belief that Towergate are responsible for the underinsurance position they now find themselves in.

This sale took place in 2015. Unfortunately, due to the passage of time, a call recording isn't available. Given the time that's passed this isn't particularly unusual. What Towergate have been able to provide is extracts from a sales script they say their adviser would've used during the sale of this policy. My decision is based on the assumption that this script was followed.

The sales script prompts the adviser to make the customer aware that they need to state the 'full and true' rebuild cost of the insured property. It further covers off the possible consequences of underestimating the rebuilding/replacement costs. It prompts the adviser to ask the customer if they understand the consequences of not insuring the full value of their buildings or contents. Further into the sales script, it covers off that the adviser can input data into the BCIS rebuilding cost calculator or gives the option for the customer to do so themselves. The script prompts the sales agent to ask the customer which option they want to follow.

Mr P has told us he can't recall how the sum insured was reached in 2015. I've kept in mind that this sale took place the best part of 10 years ago and it wouldn't be reasonable to expect Mr or Mrs P to recall in great detail a one off conversation from so long ago. But on balance, I'm satisfied that if the sales script had been followed it sufficiently makes it clear the importance of an accurate sum insured value being given to Towergate and outlines the potential future implications of underinsurance. I've not seen any sufficiently persuasive evidence to fairly conclude that the sales script wasn't followed.

Following the policy inception, Mr and Mrs P were sent the relevant information – such as the policy schedule and terms and conditions which highlighted that the policy holder needed to check the sums insured were correct and represented the full re-instatement value.

I've also noted that the paperwork sent at renewal highlighted the importance of having an accurate sum insured figure.

Mr P has referred to Towergate not allowing for inflation at renewal each year. Towergate have said: *"The buildings sums insured would then have been increased at renewal in line with inflation and when providing a renewal invitation"*. The information I've seen supports that the sum insured did increase year on year:

Year	Buildings sum insured
2015	£100,000
2016	£103,470
2017	£107,412
2018	£111,676
2019	£114,970
2020	£118,799
2021	£126,165
2022	£140,926

Overall, on the balance of the evidence provided, I'm satisfied that Towergate treated Mr and Mrs P fairly in 2015 and at renewal - most recently in 2022. In my opinion, the core of the underinsurance problem faced by Mr and Mrs P isn't inflation not being accounted for, but

unfortunately, the baseline figure first insured in 2015 not being an accurate indication of the sum insured that was required.

A reasonable level of responsibility rested with Mr and Mrs P at policy inception and then at renewal each year to ensure that their sum insured was sufficient and I note that Towergate have also told our Service that Mr P had *“called to find out if we can discount his renewal premium, sometimes reducing the cover to result in a lower premium...”*. Although this point isn't material to the outcome of my decision, if correct it suggests a policy holder that was engaged with the renewal process despite being with the same broker for a number of years.

The service provided and policy excess

I need to be clear to both parties here: I'm only considering the impact of Towergate's actions in their capacity as a broker – not in relation to any actions which the insurers of this policy are responsible for.

Towergate have accepted that the service they provided didn't meet Mr and Mrs P's expectations and have refunded the extra excess paid when making this latest claim.

I need to consider whether the £100 offered goes far enough in recognising the avoidable distress and inconvenience caused to Mr and Mrs P – and I find that it doesn't. Towergate need to pay from £100 to a total of £300. Towergate have told us they previously paid £100 on 30 January 2023.

For completeness, I also direct Towergate to clearly show Mr and Mrs P whether or not their error has impacted the premiums charged at the relevant renewals. They've told Mr and Mrs P:

“Due to a storm claim you submitted in 2012 and an escape of water claim you submitted in 2013, an increased excess of £1000 was applied at your 2015 renewal for any claims that were as a result of these perils.

From my review I note that these excesses should have been removed after 5 years of application in 2017 and 2018, [bold added for emphasis by Ombudsman] *but this didn't occur due to a system error. As a result, an excess of £1000 was deducted from the settlement of your claim that occurred on 10th July 2022 in error and we have since contacted the Claims Department and they have made payment to you of £750 to refund the additional excess charged.”*

For clarity - Towergate made an error and the previous claims in 2012 and 2013 should've dropped off by the 2017 (storm damage claim) 2018 (EOW claim) renewals. A number of policy renewals have taken place since.

Generally, a history of previous claims will result in either (or both) higher premiums being due at renewal/policy inception or a higher excess being applicable and the policy premiums remaining as if no claims had been made.

Towergate will now need to communicate with the relevant underwriters here, if necessary, as I note the underwriter for this policy changed. Their action of arranging the refunding the extra excess charged is fair, but they now need to demonstrate with appropriate evidence (or an explanation) either that their error hasn't caused any other detriment to Mr and Mrs P in terms of the premiums charged after the date when the two previous claims should have dropped off. I note the offer now made.

Putting things right

Advisory Insurance Brokers Limited trading as Towergate Insurance need to:

- Refund the extra premiums charged as a result of the two claims not dropping off when they ought to **and** add 8% simple interest from the date Mr and Mrs P paid the extra premiums (at each renewal) until the date any settlement is made.
- Pay Mr and Mrs P a total of £300 compensation.

My final decision

My final decision is that I partially uphold this complaint. Advisory Insurance Brokers Limited trading as Towergate Insurance now need to follow my direction as set out under the heading 'Putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P and Mrs P to accept or reject my decision before 8 January 2024.

Daniel O'Shea
Ombudsman