

The complaint

Mr and Mrs B complain Avantia Insurance Limited mis-sold their home insurance, which left them underinsured when they made a claim for repairs to an outbuilding.

What happened

In 2018 Mr and Mrs B took out a home insurance policy online through Avantia. The policy contained a limit for the rebuild or repair of outbuildings of £7,500.

Some months later, Mr and Mrs B made a claim under their insurance policy for subsidence damage to an outbuilding. The insurer – who I'll refer to as A, accepted the claim but said the repairs would exceed the policy limit of £7,500 for outbuildings, so it gave Mr and Mrs B a cash settlement for that amount. Mr and Mrs B complained about A's offer and has received a response from our service on that complaint.

Mr and Mrs B also complained to Avantia. They said it hadn't made it clear that they'd need a higher limit of outbuilding cover. They also said it told them in 2019 they couldn't move insurance provider.

Avantia said it gave information online about how 'outbuildings' is defined, and Mr and Mrs B were asked if £7,500 was sufficient cover, to which they answered 'yes'. It also said it is for Mr and Mrs B to ensure the policy meets their needs, and it had given information in the policy information to enable them to do so.

Unhappy with its response, Mr and Mrs B brought the complaint to our service. Our investigator requested further information from Avantia in order to review the complaint. This wasn't received. So she assessed the complaint based on the evidence in Avantia's final response letter, and the comments from Mr and Mrs B.

She wasn't satisfied Avantia had met its obligations under the regulations for a non-advised sale. She said although Mr and Mrs B did answer that £7,500 was sufficient cover, she hadn't seen any evidence that Avantia made it clear enough that Mr and Mrs B ought to have provided an estimate for the rebuild cost of their outbuildings. She said if Avantia had made this clear, Mr and Mrs B wouldn't have received a reduced settlement claim by A.

To put matters right the investigator said Avantia should put Mr and Mrs B in the position they'd have been in, had the cover for the outbuilding been adequate. She said it could do this by reimbursing the difference between what the repairs cost and the settlement from A. Or by instructing its own contractors to do the work, with Mr and Mrs B paying £7,500 towards this. She also said Avantia should pay Mr and Mrs B £200 compensation for the inconvenience caused by the incorrect information given.

Mr and Mrs B accepted the outcome. Avantia didn't respond. As Avantia didn't respond within the deadline given by the investigator, the matter has come 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.

Mr and Mrs B took this policy out online as a non-advised sale. That means under the insurance regulations, Avantia didn't need to ensure the policy would meet the needs of Mr and Mrs B. But it did need to provide information that was clear, fair and not misleading in order for Mr and Mrs B to make an informed decision about whether the cover was suitable for them. It also responsible for gathering information from the consumer that it considers relevant – such as the rebuild cost of the outbuildings.

This policy was taken out online. Avantia has provided the screen shots of what Mr and Mrs B saw when taking out the policy. Avantia says this specifically asked Mr and Mrs B about the cost of rebuilding their outbuilding, but I don't agree that's the case. The screenshot it provided says "the policy includes £7,500 cover for rebuilding or repairing all attached outbuildings, is this sufficient?" That is not the same as asking Mr and Mrs B how much it would cost to rebuild the outbuilding. Or setting out that they would need to provide an estimate for that.

There is a question mark next to this section. If this is clicked, further information is provided. It says '*if you need any more than that please enter the total amount of cover you require*'. There is also a definition of 'outbuildings' included in this. This explains that outbuildings includes any patios, driveways, garages etc. But it doesn't seem there's any requirement for this section to be read or reviewed before proceeding with the insurance. So Mr and Mrs B could have carried on without having this knowledge.

The only thing Mr and Mrs B needed to do for outbuildings was confirm they were happy with cover of £7,500. Having considered everything, I don't think Avantia gave Mr and Mrs B enough information – at the time of sale – for them to properly assess whether this would meet their needs.

It may be that Avantia does have further evidence of the guidance provided to Mr and Mrs B at the point of sale. But it's had several opportunities to provide this service with a response and further evidence, and it hasn't done so. So I've assessed the complaint on the basis of what we do have.

Avantia has pointed to other documentation which explains more about outbuildings cover and what it entails. For example it points to parts of the policy document sent to them. But all of this was provided after the sale. And whilst I accept Mr and Mrs B have a cancellation period in case they change their minds on cover, it doesn't mean Avantia can use this to say that, in this case, Mr and Mrs B were provided with sufficient information at the point of sale.

Mr and Mrs B say they've never previously had a limit on an outbuilding. And they didn't understand it meant any claim pay out would be limited. They also said during their claim they weren't told for a number of years that there was any issue with their outbuildings limit. I'm satisfied based on what they've said that if they'd been given enough information as to what was included in the definition of outbuildings, they'd have realised that £7,500 wasn't sufficient cover. And they'd have acted differently and increased their outbuildings cover if they'd been given the information they should have been.

From reviewing the screenshot provided by Avantia, it does seem Mr and Mrs B could have increased the cover on their policy – the additional information on the question mark link mentioned they can select £10,000 cover for example. It seems the rebuild cost Mr and Mrs B should have entered is around £15,000.

Avantia hasn't confirmed whether this level of cover was available on this policy. But even if it wasn't, based on what I've seen I'm persuaded, on balance, that if Mr and Mrs B had been given the right information, they'd have sought out a policy that did provide this level of cover.

Had Mr and Mrs B had the right level of cover, they wouldn't have received a reduced pay out from the insurer - A. So as I've found – based on the evidence provided – Avantia is

responsible for Mr and Mrs B not having sufficient cover in place, it needs to do something to put them back in the position they would have been in, had it given the correct information.

I understand Mr and Mrs B haven't had the necessary repairs carried out. So Avantia needs to provide a cash settlement for the value of the works above £7,500. Avantia could also use its own contractors to do the works, but Mr and Mrs B would have to contribute £7,500 to the cost of the work.

Mr and Mrs B have been caused inconvenience by Avantia's actions, and it has led to a delay in their claim being fully resolved. So it also needs to pay £200 compensation to recognise this.

Mr and Mrs B also complained they were told they couldn't move insurers when it came to renewal in 2019. Avantia hasn't provided much in response to this point. It's referenced two calls Mr and Mrs B had with it in March 2019 when the policy first renewed. It says in the first call, the increase in premium was queried and Mr and Mrs B said they'd shop around. Avantia says the second call was a few days later and Mr and Mrs B agreed to go ahead.

I don't have a copy of either of those calls to verify what Avantia has said. But on balance, I'm not persuaded there's enough evidence to say they were told they couldn't go elsewhere. I accept it can be difficult to move insurers when there's an ongoing subsidence claim and premiums will most likely have been affected, but I haven't seen any evidence that Mr and Mrs B could have got cheaper cover elsewhere but were told by Avantia they had to stay insured with the same policy.

My final decision

My final decision is that I uphold this complaint. Avantia Insurance Limited is required to pay the difference between what it will cost to repair the outbuilding, and the settlement from the insurer.

As the repairs haven't started, Avantia has the option to appoint its own contractors to carry out the works, and Mr and Mrs B would pay £7,500 towards this.

Avantia Insurance Limited is also required to pay £200 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B to accept or reject my decision before 4 December 2023.

Michelle Henderson
Ombudsman