

The complaint

Mr G has complained that he was mis-sold a home insurance policy by Post Office Management Services Limited (“POMSL”).

What happened

Mr G took out home insurance through POMSL, who sold him the policy, due to having building work done on his property. He has told us his previous insurer was unable to continue providing cover due to the planned building work.

Mr G says he received a quote online for buildings and contents insurance for the year while the work was being undertaken. Mr G contacted POMSL to check he would be covered while the work was being completed since his previous insurer was unable to provide cover. He was told he was and so Mr G purchased the policy.

Unfortunately the builder who was due to carry out the work didn't complete it but took full payment and caused considerable damage to Mr G's home. The property was left without a roof and so was vulnerable to the elements for a significant period of time. So, Mr G made a claim on his policy. The claim was declined by the underwriter because the circumstances weren't covered by the terms of the policy – there was no relevant 'insured peril'.

Mr G wasn't happy since he had explained to POMSL that his home was undergoing building work before he took out the policy.

Mr G says the whole situation has impacted on his family's mental health. He's lost over £50,000 to the builder and the family have endured winter with no roof on his home costing thousands in energy bills. He says there was a real threat he would lose his home. So he complained to POMSL.

POMSL apologised for the error made by the sales team. It said the details of the work Mr G was undertaking should have been referred to the underwriter. It said its policies don't provide insurance cover for damage caused by poor workmanship and it doesn't cover the actual building work being undertaken. POMSL said it could continue providing cover for fire, flood, storm, subsidence, escape of water, theft, and vandalism. But is unable to cover any building work, or any accidental or malicious damage, or theft caused by any builder involved in building works at the property.

Mr G wasn't happy with the response from POMSL. He says it admitted it shouldn't have sold him the policy so paid £200 as a goodwill gesture. But he doesn't think this reflects the impact of the mis-sale. Because Mr G remained dissatisfied he referred his complaint to this service.

One of our investigators looked into things for him. She said POMSL shouldn't have confirmed the policy could cover Mr G's home while building work was going on, and had it checked with the underwriter, the underwriter would have declined cover.

The investigator said had Mr G found a policy elsewhere it's likely he wouldn't have been covered for the circumstances that occurred. And as it was, the insurer agreed to honour the policy. The investigator said the policy Mr G had purchased didn't cover the acts of the builder – but that wasn't as a result of POMSL's error. She said the £200 POMSL offered to reflect the distress and inconvenience was reasonable in the circumstances so she wasn't going to ask it to take any further action.

Mr G didn't agree so the complaint 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.

Having done so, I've reached broadly the same conclusions as our investigator. I'll explain why.

There is a lot of information about the claim Mr G made, and I've looked through everything provided. It is not my intention to minimise the effect the claim has had on Mr G and I empathise with the difficulties he has clearly faced.

Mr G has provided detailed testimony about the effect of the whole matter on him and his family. It has clearly been a devastating experience that has taken a lot of time and effort to try and resolve. I want to be clear that my decision is only looking at the actions of POMSL and its sale of the policy. It isn't looking at the actions of the underwriter or how the claim was dealt with. I won't be commenting on the outcome of the other complaint Mr G brought to us in this decision.

I've carefully looked into the arguments Mr G has made here. And I appreciate his concern that he contacted POMSL to confirm the policy would cover him given he was having building work done. However, the insured perils covered are similar to those I've seen in most insurance policies. I don't think the ones covered by the policy are unusual based on other policies I've seen. And whilst Mr G's policy does cover a number of perils it doesn't cover the circumstances Mr G claimed for.

Even though POMSL incorrectly advised Mr G he could take out a policy while his home was undergoing building work, and the policy was mis-sold, it doesn't then follow that I would direct POMSL to cover Mr G's loss.

When looking at the mis-sale of a policy I also look at whether the customer has lost out as a result. In this case I can't fairly say that Mr G has. I say this because based on everything I've seen, on balance, I don't think Mr G would have been able to obtain a policy that covered the specific circumstances he is claiming for. So his claim was always likely to be declined. I note the issue only came to light following the declined claim. Mr G's claim wasn't declined because he was having building work done to his home – it was because the circumstances weren't an insured peril covered by the terms of the policy. I'm not persuaded that a similar process wouldn't have taken place with a different provider. And so while I agree POMSL made an error I don't think the error caused or led to Mr G's claim being declined.

Mr G has said he was looking for a policy that would cover him while his building work was completed. And I have listened to the calls provided to me and have heard Mr G explain the circumstances to the agent on the phone. But that's not in dispute.

As above the insured perils covered by the policy Mr G purchased are common across most insurance policies I've seen, and so I don't think he's experienced an unfair disadvantage as a result of being given the incorrect information by POMSL.

I accept POMSL provided Mr G with incorrect information regarding the policy and had it checked with the underwriter Mr G wouldn't have been sold the policy, and he would have had to find an alternative. But, as I've said above, I don't think he would have been able to find one that covered the specific circumstances he claimed for.

Mr G says he went two years without a roof on his home and made endless calls and sent emails to POMSL for it to listen. But POMSL isn't responsible for the way his claim was assessed – that is the role of the underwriter, and that part of Mr G's complaint has already been decided.

I want to be clear that I am not saying Mr G and his family haven't been through a truly distressing and worrying time. I empathise with the situation he found himself in and don't underestimate the level of stress he's been under for a significant period of time. Unfortunately I don't think this is due to POMSL.

POMSL accept it made an error; it apologised and offered Mr G compensation to reflect the distress and inconvenience caused. And I think this is fair.

I acknowledge Mr G's concerns that the compensation offered doesn't cover the level of distress and inconvenience caused. However, I can only consider the error made by POMSL in the sale of the policy and not what happened with the builder or the outcome of the claim he made thereafter.

So I agree with Mr G that POMSL shouldn't have sold the policy given the work he was undertaking at the time. And I think POMSL should now pay him £200 previously offered in settlement of his complaint. I think this is fair and reasonable in the circumstances, and in line with what I would have suggested had an offer not already been made. Further information about how we consider awards for distress and inconvenience can be found on our website.

So, I direct POMSL to pay Mr G £200 it previously offered to reflect the impact of its mistake on him.

My final decision

My final decision is that Post Office Management Services Limited made an offer of £200 to resolve the complaint, and it should now pay it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 21 May 2024.

Kiran Clair
Ombudsman