

The complaint

Mrs M complains that U K Insurance Limited (UKI) refused unfairly to consider a claim she made on her property insurance.

What happened

Mrs M had a landlords building insurance policy with UKI. When it was due for renewal UKI said she need do nothing if she was happy to continue with the policy for the next year. It later said that Mrs M's payment hadn't gone through and she might need to update her card details to resolve this.

Mrs M said she was busy and didn't get round to contacting UKI about the renewal. But she did get a letter saying her policy had been renewed enclosing a copy of her policy schedule for the year ahead. So she believed everything was sorted out.

Some time later Mrs M made a claim for some damage to her property and discovered her policy wasn't in force because the premium hadn't been paid after all.

When Mrs M complained, UKI said it had reminded Mrs M several times that her premium hadn't been paid and had sent her a letter to say the policy was cancelled. It said the final letter (the one that said she was insured) was sent automatically to all policy holders at renewal, but didn't over-ride the fact that the premium hadn't been paid.

Mrs M asked us to review her complaint. Our investigator looked at all the communications between UKI and Mrs M. She noted that the last letter – dated after all the others – said the policy had been renewed. She concluded that it was reasonable for Mrs M to believe she still had cover. She recommended that, if Mrs M paid her premium, UKI should reinstate the policy and consider the claim she made. She thought also that UKI should pay Mrs M £200 to make up for the inconvenience and worry she'd been caused. Mrs M accepted this, but UKI doesn't think this is fair. It says that if Mrs M hadn't needed to make a claim then she wouldn't offer to pay the premium retrospectively.

I've been asked to decide this complaint.

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.

I'm going to uphold this complaint for much the same reasons as our investigator gave. I accept that UKI sent Mrs M several communications that said it had been unable to collect her premium. I also accept that Mrs M didn't respond to these. Mrs M says she didn't receive one communication which said her policy was cancelled. I don't think this affects my conclusions either way – because a letter sent with a later date told Mrs M she was covered, and appeared to confirm she'd paid the premium. It was headed "receipt" and gave a date of transaction plus the amount paid. It also enclosed the sort of policy detail usually included with a successfully renewed policy.

UKI says it routinely sends such letters – but if a premium isn't paid then the policy isn't in force. I understand that argument but it doesn't convince me UKI acted fairly. UKI would (or should) have known the premium hadn't been paid *before* it sent the final letter. At the least, realising it had sent a letter that might lead Mrs M to believe she had cover when she didn't, UKI should have contacted Mrs M again to make sure she knew the position she was in. It didn't do that, and I'm persuaded that led Mrs M to believe she did have cover.

I don't place much weight upon UKI's argument that if she hadn't needed to make a claim Mrs M wouldn't be offering to pay the premium. UKI hasn't provided any evidence to support that argument and it doesn't reflect the actual circumstances here.

Putting things right

To put things right, UKI should now allow Mrs M to pay the premium and re-instate the policy back to the renewal date. And I agree it should pay Mrs M £200 for the upset it has caused. UKI should then consider the claim Mrs M made in line with the terms and conditions in the policy. I must warn Mrs M that this does not automatically mean her claim will be met as UKI has not yet had an opportunity to review it. I will say though, that if there's more cost and/or damage than would have been the case if UKI had assessed the claim when the damage first occurred, I wouldn't expect UKI to refuse to meet those extra costs simply because reviewing the claim has been delayed.

My final decision

My decision is that I uphold this complaint and require U K Insurance Limited to compensate Mrs M as outlined above and reinstate and consider her claim if she pays the premium.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 13 September 2024.

Susan Peters
Ombudsman