DRN-4709329

The complaint

R complains about Zurich Insurance PLC's decision to decline renewal of R's property insurance policy.

What happened

The background to this complaint is well known to both parties, so I'll provide only a brief summary here.

R is a pension scheme. Up to July 2023, it had a policy underwritten by Zurich to cover a property on which it had a long term lease. R's complaint has been brought to us by Mr L, a trustee of the scheme. There are several other trustees.

R applied to renew the policy before it expired in July 2023. They did so through their own broker, who passed on information to Zurich's agent.

Zurich decided not to agree to renewal of the policy. Mr L says they did so on the back of inaccurate information provided by their agent. Mr L says the agent told Zurich that R had gone into voluntary liquidation - and this was not the case.

Mr L also says R were informed about Zurich's decision a few days before the existing policy expired. This left R in a difficult position in terms of getting a replacement policy very quickly in order not to contravene the terms of their lease.

Mr L made a complaint about the agent and Zurich, saying that they'd acted unfairly and inappropriately in passing on inaccurate information and then declining to renew on the basis of that information.

When Zurich didn't uphold his complaint, Mr L brought it to us. Our investigator looked into it and thought Zurich were entitled to decline to renew the policy – and to record that fact.

But he thought there had been avoidable delays in R being informed about the decision to decline the renewal, which had caused a degree of inconvenience for them. And so, he said Zurich should pay R £150 in compensation.

R disagreed and asked for a final decision from an ombudsman. Mr L is concerned that, as things stand, all trustees of R will have to declare, when applying for insurance in future, that they had been involved in a scheme which had been refused renewal of policy cover.

Zurich thought R had been caused very little inconvenience by the late notification of their decision not to agree renewal. They pointed out cover had been obtained through the landlord of the property. But they ultimately agreed to pay £150 in compensation to R.

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.

It’s fair to say that there is a degree of confusion about who – in the chain between R, R’s broker, Zurich’s agent and Zurich – said exactly what to whom at what point. And what information Zurich had in hand when they first made the decision to decline the renewal.

Mr L is very keen to get to the bottom of that - which I can understand. However, my task in making this decision is not necessarily to determine all of those detailed facts. It’s to determine whether Zurich acted unreasonably or unfairly in deciding to decline R’s renewal application and, if so, what implications that had for R in terms of any detriment to it.

Looking at the policy documents, I can see that the schedule includes the following assumption, which the potential customer is required to agree:

> *“You or any organisations that your partners or directors have been involved with (as a partner or director), or any of your partners or directors in a personal capacity have never, unless you notify us or have already advised us otherwise: (…) been declared bankrupt, been the subject of any bankruptcy proceedings or any form of insolvency or winding up procedures (including administrative receivership).”*

It seems to me then that Zurich are unlikely to want to do business with an organisation which has directors or partners who have been involved in organisations which have been declared bankrupt, become insolvent or been wound up.

It appears likely that Zurich’s agent told Zurich that R had entered into liquidation. This wasn’t true.

However, Mr L fully admits that he has been a director of a company (which I’ll call D) which did enter liquidation – in March 2023. That company has a similar name to R.

Zurich have confirmed that they re-assessed the renewal application once they were aware of the true facts. It doesn’t strike me as odd or in any way unlikely – given the assumption in the schedule quoted above – that they then maintained their decision to decline the renewal.

Zurich have also shown us underwriting criteria – which are commercially sensitive, so I won’t quote them here – which suggest that there are very unlikely to offer policies to organisations with directors, partners or trustees who have been involved with any organisation which has gone into liquidation or been made bankrupt.

So, I’m satisfied that Zurich weren’t going to agree renewal of the policy once they were acquainted with the facts in this case.

Mr L says his broker, Zurich’s agent and Zurich were aware of D going into liquidation long before the policy came up for renewal. The policy had been in place for a number of years before that.

I’m not entirely convinced that Zurich knew about D’s liquidation before the July 2023 renewal. But that’s unimportant. D’s liquidation was in March 2023 – after the policy had renewed the previous year. So, this was the first application for renewal in the time after D went into liquidation.

In summary, Mr L has been involved with a company that went into liquidation. Zurich’s decision to decline renewal is therefore not surprising. It’s also justified, in line with their underwriting criteria and in no way unfair or unreasonable towards R.

The possible passing of inaccurate information, at one or more points, between Zurich's agent and Zurich therefore has no impact whatsoever on R. R was never going to have its policy renewed by Zurich once the full – and entirely accurate – facts were known.

Zurich is entitled to decline renewal in this case – that's not unfair or unreasonable. And Zurich is entitled to record their decision as they wish. R's trustees will, of course, have to answer truthfully any questions they're asked when they look to buy insurance policies in future.

I agree with our investigator that R was caused some inconvenience by the late notification of the decision not to agree renewal of the policy. Zurich's agent have admitted that there was a delay in notifying R - and that this was because of staffing issues.

Putting things right

Given the inconvenience suffered by R as a result of the late notification of Zurich's decision not to accept renewal of the policy, I agree with our investigator that Zurich should pay compensation to R of £150.

I've taken into account the fact that the avoidably late notification will have caused R to have to act very quickly to maintain cover for the property. But also, that R appears to have obtained that cover in good time, through an existing contact, and to have avoided any impact on their long term lease.

My final decision

For the reasons set out above, I uphold R's complaint.

Zurich Insurance PLC must pay R £150 in compensation for the inconvenience caused by the avoidable delays set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 24 May 2024.

Neil Marshall
Ombudsman