

## **The complaint**

Miss G complains that U K Insurance Limited trading as Direct Line (“UKI”) asked her to pay a cancellation fee to cancel her policy.

## **What happened**

Miss G says when her landlord insurance policy was due to renew, she called UKI and explained that the insured property was empty and would likely be empty for a while due to a prohibition order in relation to fire defects. She told UKI the tenants had been evacuated for a minimum of three months.

Miss G says that on renewal her premium increased from £240 to £350. And that there was an issue with UKI taking the full amount when Miss G had told it she wanted to pay monthly. Miss G says she contacted UKI about this and it said she’d need to cancel the policy and take out a new one if she wanted a refund. When setting up the new policy, the amount she needed to pay decreased.

Miss G was happy with the reduced amount and proceeded to set up a direct debit for the new policy. She says UKI told her that if they couldn’t provide full cover after 30 days of the property being unoccupied, they could look to reduce the cover offered. But it then sent her an unoccupied notice telling her she’d need to adhere to terms like keeping the property heated at a certain temperature, keeping the water on and checking the property every 7 days. Miss G was unhappy about this as she didn’t live near the property and so couldn’t adhere to the conditions. UKI told Miss G she’d be able to cancel the policy but would need to pay an administration fee. Miss G disputed this, saying she hadn’t been advised properly about the conditions before taking out the policy, so she raised a complaint.

In its response, UKI said that when a property is unoccupied, it poses a greater risk to an insurer, which is why additional terms and conditions and a higher premium might apply. It said it never discussed unoccupancy terms on the phone unless a customer asks about this specific issue, or if the premises becomes unoccupied. But that all the information is contained in the policy booklet.

Miss G didn’t accept UKI’s response, so she referred her complaint to this service. Our Investigator considered the complaint and thought it should be upheld. He said if UKI had highlighted the additional conditions then it’s likely Miss G wouldn’t have taken out the policy.

UKI didn’t agree with our Investigator’s assessment, so the complaint has now 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 decided to uphold this complaint. I’ll explain why.

I haven't been provided with a recording of the phone call in which Miss G explained the situation to UKI on 10 October 2023. But I'm persuaded by the plausibility of her testimony that she told UKI clearly that the property was unoccupied due to the fire defects in the block, and would remain so for a period of time. UKI's notes also confirm that Miss G informed them about this.

UKI says documents were issued at inception setting out the unoccupancy terms and conditions. And that Miss G had 14 days to cancel the policy without charge if she wasn't completely satisfied. It also said that if Miss G had difficulty adhering to the conditions because she lived too far away, then she could have allowed a responsible person to check the property on her behalf.

But UKI hasn't given an adequate explanation of its lack of discussion about the unoccupancy terms, knowing that Miss G had approached it about this very issue *before* the policy renewed. In the complaint notes, it says the cancellation fees were mentioned but it doesn't say anything about the unoccupancy conditions. And UKI has accepted that it didn't talk about those terms with Miss G prior to inception of the new policy.

Whilst I appreciate that not all terms and conditions can be made clear to a consumer before a policy is taken out, I would expect that a term of significant impact would need to be specifically highlighted – particularly one that relates to the exact information the consumer was phoning about. It's an onerous term, considering Miss G didn't live near the property and would've either had to inspect it regularly or get someone else to do this for her.

And Miss G had made it clear to UKI before the policy was set to renew, that it was unoccupied. So once she had done this, UKI should have known it was a relevant consideration and advised Miss G about the unoccupancy terms then, prior to renewing it. UKI's own final response says it wouldn't discuss unoccupancy terms unless raised by the customer. And in this case, Miss G clearly raised it, so it should've been discussed. The term required Miss G to do something extra in order to have cover, but was only mentioned on page 8 of a 56 page policy booklet, so I don't think it was sufficiently highlighted.

I consider this caused Miss G distress and inconvenience for which she should be compensated. And because UKI's error led to Miss G going to extra effort to try to sort things out, I think £100 compensation is fair and reasonable in the circumstances.

It follows therefore, that I'm upholding this complaint and will require UKI to put things right for Miss G as follows.

### **Putting things right**

U K Insurance Limited trading as Direct Line must now:

- Refund the cost of the policy in full without making any deductions for fees or charges.
- Pay Miss G £100 compensation for distress and inconvenience.

### **My final decision**

My final decision is that I uphold this complaint and I direct U K Insurance Limited trading as Direct Line to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 1 November 2024.

Ifrah Malik  
**Ombudsman**