

The complaint

A partnership, which I'll refer to as S, complains about what U K Insurance Limited did after it made a claim on its business protection insurance policy. Mr P, who is a partner of S, brings the complaint on its behalf.

What happened

In March 2023 Mr P made a claim on S's policy following a theft from its premises. Later that month UKI set out the amount it would pay in settlement of the items (a bike, a mower and a robot mower). The following month Mr P raised queries about the amounts to be paid for the bike and mower and asked for confirmation the figures he'd provided were correct. He said he'd already bought a robot mower and provided an invoice for that.

In June UKI settled the claim for £3,000. As that was less than the amount it had previously said would be paid Mr P queried why that was. UKI said the information previously provided had been incorrect and the policy limited cover for theft from outbuildings (which was the case here) to £3,000. It offered to discount the renewal premium for S's policy by £1,500 in recognition of the miscommunication on its part.

Our investigator thought the amount offered in settlement of the claim was in line with the policy wording. But she agreed UKI had wrongly told S a higher amount would be paid. However, she thought that S would have needed to replace the stolen items in any case and wasn't persuaded it would have acted differently if given correct information. But she thought UKI should pay it £150 in recognition of the inconvenience it was caused.

UKI agreed to do so. Mr P didn't agree. In summary he said:

- He queried why the claim had been considered against UKI rather than the broker who had dealt with it (and who sent the email confirming he could go ahead with the purchase of the replacement items).
- It was unfair for him to have been provided with information about the settlement of the claim and for that offer to subsequently be retracted.
- If he'd been made aware of the £3,000 limit he would have purchased items which fell within that limit and wouldn't in particular have purchased the robot mower given he already had a ride on lawn mower. And the amount he spent on the robot mower was less than the amount which had initially been offered in settlement for this.
- S hadn't been able to accept the offered renewal discount because it didn't know whether the premium offered would have been competitive and it had subsequently moved part of its cover to a different provider.

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.

The relevant rules and industry guidelines say UKI has a responsibility to handle claims promptly and fairly. It shouldn't reject a claim unreasonably.

Mr P has queried why this complaint is being considered against UKI when his contact was with his broker. The reason for that is because UKI confirmed to us the broker was acting under its delegated authority when dealing with the claim. As a result, while I appreciate Mr P's contact was with the broker, as it was handling the claim on behalf of UKI then it remains responsible for anything the broker did (or didn't do) when carrying out that role. And so any references to UKI in this decision include its claims handlers (the broker in this case).

I've thought first about whether UKI has arrived at the correct settlement figure for S's claim. The policy does cover 'Home Contents' for damage and the definition of that is "*Accidental loss, destruction or damage*". So it could in principle cover the items which were stolen in this case. However, I don't think it's in dispute that none of those items were specified on the policy schedule. And they were taken from an outbuilding at the premises. The policy extends cover for 'damage' in outbuildings but says "*the maximum liability of the Company under this Extension shall not exceed £3,000 in total for all claims or series of claims, arising out of any one original cause*".

So I think UKI were right to say the maximum amount payable for the items stolen in this case would be £3,000. The issue is that isn't what it told S when it emailed it on 23 March. In that email it set out the value it would pay for the three items which in total came to around £7,000. That wasn't correct and so UKI has clearly been at fault here.

However, where a business has got something wrong our normal approach is to consider what the impact on the complainant of that has been so we can decide what, if anything, a business needs to do to put things right. In this case I agree with our investigator that the key issue is whether S would have acted differently if it had been correctly advised about the settlement of its claim.

First, in relation to the normal (non-robot) mower Mr P requested a cash settlement in relation to that. I haven't seen evidence that he purchased a replacement item (he's told us he already had a ride on lawn mower). So I don't think UKI's error caused any financial loss here because he didn't rely on the information given to buy a replacement item.

I appreciate a replacement bike was purchased (I understand by Mr P's son). But I think it unlikely he'd have reached a different decision if the policy limit had been made clear in the March email. I say that because when Mr P emailed UKI at the start of March he already knew the bike wasn't specified on the policy and so the maximum the policy would pay for this would be £1,000 less the excess. He then asked UKI to confirm in April whether the amount to be paid for the bike was correct.

Although a response wasn't provided to that email Mr P told UKI in June his son had already purchased a replacement bike at a cost of more than £6,000 which is significantly in excess of both the amount Mr P initially thought would be paid for this item or the amount UKI offered in its March 2023 email.

That suggests to me Mr P's son decided to purchase a more expensive bike because he found one that met his needs rather than doing so in reliance on the amount UKI said it would pay for this. I'm not persuaded he'd have acted differently but for what UKI got wrong.

Turning to the robot mower Mr P told us "*you do not know what I may or may not have done if given the correct information*". I agree with him on that. But I don't have to know what he'd have done. In deciding this complaint I need to consider on the balance of probabilities what

I think is most likely to have happened. So that's the test I've applied here. And I'm mindful of the fact that when Mr P contacted UKI on 23 March he said "*I would like to purchase another auto mower asap as it's one less lawn for me to cut!*". And he did so around a week later. So, while Mr P says he already had a ride on mower, his comments suggest to me that he was nevertheless keen to obtain a replacement robot mower. I think he'd likely have progressed that even if he had been told about the policy limit.

But I do accept if given clearer information he might have looked for either a cheaper model or a second hand one. However, I think relevant here is that S was offered a discount of £1,500 on its renewal premium. Our investigator didn't think the broker was doing that in its capacity as claims handler (so on behalf of UKI). But I'm not sure that's right given it represents a remedy for an error made when carrying out that role. In any event I think it's reasonable to take into account that offer when considering whether there's anything further UKI now needs to do to put things right.

That discount compared to the cost of the replacement robot mower represents around 40% of the purchase price. I've looked at the cost of robot mowers and while there are ones available priced at less than the amount Mr P paid those don't provide equivalent coverage. And the stockist he purchased his mower from doesn't list any others that have equivalent coverage below his model. I've not seen anything to show Mr P would have been able to purchase an equivalent robot mower at more than a 40% discount to the price he did pay.

I appreciate S didn't want to accept the offer of a discounted premium because it was unclear whether it would be staying with UKI at renewal. But that was a choice for it to make (I understand it did in fact retain partial cover with UKI). I think it's reasonable to take into account that offer when deciding whether there's a financial loss to S which UKI needs to put right. For the reasons I've explained I don't think there is. And while I do agree S has been caused inconvenience as a result of being given incorrect information by UKI (and then having to pursue that issue) I think the £150 our investigator recommended does enough to put things right here.

My final decision

I've decided to uphold this complaint. U K Insurance Limited will need to put things right by paying S £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 20 September 2024.

James Park
Ombudsman