

## **The complaint**

Mr and Mrs A are unhappy with the way Avantia Insurance Limited sold and renewed their home insurance policy.

## **What happened**

Mr and Mrs A took out a home insurance policy through Avantia in February 2021 and renewed it in February 2022. In October 2022, Mr and Mrs A logged a claim with the insurer of the policy for cracking damage to their home.

Their insurer accepted the claim but said it would only settle it proportionately because the rebuild cost Mr and Mrs A declared at the latest renewal was significantly lower than it should have been, meaning they were underinsured.

Mr and Mrs A complained that they got the rebuild figure from the calculator they were provided with by Avantia at the point of sale.

Our investigator thought Mr and Mrs A's complaint should be upheld. She agreed Avantia made it clear at the point of sale that Mr and Mrs A needed to provide an estimate of the full rebuild cost of their property. But at the 2022 renewal, she said Avantia only asked them to confirm the buildings "sum insured". She said this didn't make it sufficiently clear that Mr and Mrs A needed to confirm the rebuild cost of their property, and that it was unreasonable to expect them to remember that's what they needed to provide from the original sale.

Our investigator said she would ordinarily hold Avantia responsible for covering the claim settlement shortfall in similar circumstances. But in this case, due to a linked complaint Mr and Mrs A raised about their insurer, the insurer was required to cover the full cost of the claim with no proportionate reduction, and so there was no financial loss for Avantia to cover. But our investigator said Avantia's unclear questions at renewal had caused avoidable distress and inconvenience to Mr and Mrs A. So, she said it should pay them £150 compensation.

Avantia said the renewal literature directed Mr and Mrs A to read their policy wording. And it said this document made it clear that the maximum amount payable in the event of a claim was the "sum insured", and that for buildings cover, that meant the full rebuild cost of their property. Based on this, Avantia maintained it did enough to make Mr and Mrs A aware they needed to check their "sum insured" was sufficient to cover the rebuild cost of their home.

Our investigator agreed that it's important for policyholders to read their policy documents. But she didn't agree it was reasonable to expect Mr and Mrs A to cross reference multiple documents and definitions during the renewal process in order to understand the information they were being asked to provide. She also pointed out that the policy schedule directed Mr and Mrs A to "section 1" of the policy booklet, but said that section, or the policy definitions section, didn't include the meaning of "sum insured". To find the meaning of "sum insured", our investigator said Mr and Mrs A would have needed to go to a specific page within the policy booklet without being directed to do so, which she didn't think was clear.

Based on this, our investigator maintained that Avantia failed to make it sufficiently clear to Mr and Mrs A at renewal, that the “sum insured” amount needed to be enough to cover the full cost of rebuilding their home. So, she maintained her earlier finding that Avantia needed to pay Mr and Mrs A £150 compensation.

Avantia didn’t accept our investigator’s opinion. So, as no agreement has been reached, the complaint has been passed 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 agree with the outcome reached by our investigator. I’ll explain why.

Avantia was responsible for providing Mr and Mrs A with enough clear information during the renewal so that they could understand what information they needed to confirm or provide.

The renewal documentation Avantia provided Mr and Mrs A asked them to confirm that the buildings cover “sum insured” of £200,000 was still sufficient. But I can’t see that it was explained anywhere within the renewal documents that “sum insured” meant the full rebuild cost of Mr and Mrs A’s property.

I accept that Avantia made this clear during the initial sale. But like our investigator, I don’t think it’s reasonable for Avantia to expect Mr and Mrs A to remember this from the original sale. What would be reasonable is for Avantia to clearly set out exactly what was meant by “sum insured” within the renewal invitation, so that Mr and Mrs A could easily understand what information they needed to check and provide. Particularly given the risk of serious detriment to Mr and Mrs A if the information they were to give about the “sum insured” was incorrect.

Avantia has argued that the renewal documentation referred Mr and Mrs A to their policy booklet which did explain this. But again, like our investigator, I don’t consider it is reasonable to expect a policyholder to cross-reference numerous different documents, including one which is over 30 pages long, in order to understand a question they are being asked. Particularly a question of such vital importance.

I also agree with our investigator that there is nothing in the specific section of the policy booklet that the schedule referred Mr and Mrs A to check, that explained “sum insured” meant the rebuild cost of their property. And “sum insured” isn’t specifically defined within the policy definitions section either. So, in order to find that information, Mr and Mrs A would have needed to locate it on page nine of the policy booklet without being specifically directed to look there.

Based on the above, I don’t think Avantia did enough to point Mr and Mrs A to the appropriate page within the policy booklet. So, even if I thought it was reasonable to expect Mr and Mrs A to cross-reference their policy wording in order to understand what they were being asked to confirm in relation to the “sum insured”, which to be clear I do not, I still wouldn’t conclude that Avantia made things clear enough to enable Mr and Mrs A to provide an accurate answer in this case.

As our investigator explained, Avantia's error here hasn't resulted in a financial loss to Mr and Mrs A because their insurer has been directed to cover their claim in full under a separate complaint. But I agree that Mr and Mrs A have suffered some avoidable distress and inconvenience as a result of Avantia's errors. In particular, I think Avantia's unclear questions are partially responsible for the delay in Mr and Mrs A receiving a fair settlement to their claim. So, in order to fairly compensate Mr and Mrs A for the impact its errors have had on them, I think Avantia should pay them £150 compensation.

### **My final decision**

For the reasons explained above, I uphold Mr and Mrs A's complaint.

Avantia Insurance Limited must:

- Pay Mr and Mrs A £150 compensation for the distress and inconvenience it has caused them.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Mrs A to accept or reject my decision before 30 August 2024.

Adam Golding  
**Ombudsman**