

The complaint

Mr S is unhappy with the way County Insurance Services Limited (CIS) sold and renewed his home insurance policy.

What happened

Mr S has brought his complaint through a representative. For simplicity, any reference to Mr S within this decision includes his representative.

Mr S took out a home insurance policy through an independent intermediary, CIS, in May 2020 and renewed it in 2021 and 2022. Mr S logged a claim with the insurer of the policy for fire damage to his home in August 2022.

Mr S's insurer accepted the claim but said it would only settle it proportionately because the rebuild cost Mr S declared at the 2022 renewal was significantly lower than it should have been, meaning he was underinsured and his claim wouldn't be paid in full.

Mr S complained to CIS that the information given to him during the sale, and subsequent renewals, of the policy wasn't clear enough – and that had caused the shortfall in his claim settlement. He said he was led to believe the sum insured figures he was asked to provide during the sale only needed to be sufficient to cover the main building for the cost to rebuild them as they were, rather than in line with current regulations. And that the estimate he provided was for the main property only, not the outbuildings.

An investigator at the Financial Ombudsman Service reviewed Mr S's complaint. But he didn't think it should be upheld. He said it was clear from the initial sales call in March 2020 that Mr S understood the figure he was being asked to provide was the cost to fully rebuild his property, including the outbuildings. He also said Mr S was directed to an online rebuild cost calculator for assistance, but he didn't use it.

Mr S didn't accept the investigator's opinion. So, as no agreement could be reached, the complaint was passed to me to decide.

I was minded to reach a different outcome to our investigator, so I issued a provisional decision. Here's what I said:

"What I've provisionally decided – and why

I've considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Having done so, I'm minded to reach a different outcome to the investigator. So, I'm issuing a provisional decision to give the parties the opportunity to respond before I reach my final decision.

To be clear, this complaint is solely about CIS as the independent intermediary who sold the policy, not about Mr S's insurer. So, I'll not make any comments or findings under this complaint on things which are the responsibility of the insurer. Mr S has complained separately about the insurer's decision to settle the claim proportionately, and this is being dealt with under a separate complaint.

As the independent intermediary who sold and renewed Mr S's policy, CIS was responsible for providing Mr S with enough clear information during both the sale and the subsequent renewals, so that he could understand what information he needed to provide or confirm. That included prominently highlighting any significant information to him.

CIS was also responsible for gathering the information the insurer wanted to know in order to setup and renew the policy, decide what premium to charge and what policy terms to set. Relevant to this complaint, the insurer wanted to know how much it would cost to rebuild the property, including any outbuildings – and for that amount to be the sum insured. So, CIS should have taken reasonable steps to make Mr S aware of that, including providing a reasonable amount of support and guidance to estimate that cost.

When assessing this complaint, the investigator focused solely on the original sale of the policy in 2020. He listened to a call which took place as part of the sale, and felt it was clear from this that Mr S understood he needed to give an estimate of the cost to completely rebuild the property and outbuildings from scratch. He also highlighted that CIS's advisor directed Mr S to an online calculator if he needed help determining a reasonable estimate. Based on this, the investigator was satisfied that CIS had met its obligations to Mr S and that it wasn't at fault for Mr S's estimate being unreasonable, leaving him underinsured.

Having listened to the call I agree that Mr S appeared to understand that the estimate he was providing was for the full cost to rebuild his property and outbuildings. I also agree that the advisor referred Mr S to an online rebuild calculator. That said, this information seemed to come in response to questions Mr S asked, rather than being given as a standard part of the sale. And while I note that the application form Mr S completed later the same day of the call did highlight that the 'sum insured' meant the rebuild cost, I can't see that it provided the details for the online rebuild calculator which was mentioned on the call, or any other guidance on how a reasonable estimate could be reached. So, while I do think Mr S understood what was being asked of him at the original sale, that doesn't mean I think the original sale was as clear as it should have been.

In any event, the sale of the policy is not the sole consideration here. This is because the policy subsequently renewed twice prior to the insured event occurring. And each policy renewal is essentially a new sale of a new contract of insurance. This means, as already explained, that CIS was obligated to fulfil its responsibilities set out above at each renewal, as well as during the sale.

As the insured event happened in August 2022, it is the May 2022 renewal which is most relevant, so I'll focus on whether CIS met its obligations to Mr S during this renewal. The 2022 renewal documentation CIS provided asked Mr S to confirm that the buildings cover "sum insured" of £288,790 was 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 S's property, or that this included the outbuildings – or provided support and guidance about how to decide whether that amount was sufficient.

I accept that Mr S understood this is what he was being asked during the original sale. But I don't think it's reasonable for CIS to expect Mr S to remember the details of a conversation from the original sale two years prior. What would be reasonable is for CIS to clearly set out exactly what was meant by "sum insured" within the renewal invitation, so that Mr S could easily understand what information he needed to check and provide. It could also have set out reference to the same resource as it did during the sales call. Particularly given the risk of serious detriment to Mr S if the information he was to give about the "sum insured" were to be incorrect – as evidenced by what has happened in this case.

CIS has argued that the renewal documentation referred Mr S to his policy booklet which did explain what was meant by "sum insured". But I don't consider it is reasonable to expect a policyholder to cross-reference numerous different documents, including one which is around 40 pages long, in order to properly understand a question they are being asked. Particularly a question of such vital importance. This doesn't amount to prominently highlighting significant information. Again, what would be reasonable is for the question to be made sufficiently clear within the renewal invitation itself – which I don't think it was.

I can see that the renewal cover letter did advise Mr S to check his policy booklet in relation to the sums insured. But there is nothing within this letter which specifically mentioned that the "sum insured" meant the rebuild cost, or what the potential impact of this figure being too low could be. And neither did it direct Mr S to the specific section of the policy booklet which explained this either. In addition, I note that "sum insured" isn't specifically defined within the policy booklet page of definitions either. So, in order to find that information, Mr S would have needed to locate it on page nine of the policy booklet without being specifically directed to look there by CIS. I'm not satisfied that's something Mr S should reasonably have been expected to do – nor that this approach would fulfil CIS's responsibilities to Mr S.

Based on the above, I don't think CIS did enough to point Mr S to the appropriate page or section within the policy booklet which explained that "sum insured" meant the rebuild cost. So, even if I thought it was reasonable to expect Mr S to cross-reference his policy wording in order to understand what he was being asked to confirm in relation to the "sum insured", which to be clear I do not, I still wouldn't conclude that CIS made things clear enough to enable Mr S to provide an accurate answer in this case.

So, in my view, CIS failed to make it sufficiently clear to Mr S at the 2022 renewal that the "sum insured" he was confirming needed to be sufficient to cover the full rebuild cost of his home and outbuildings or to provide adequate support or guidance as to how he could obtain a reasonable estimate. And as a result of this, I don't think Mr S was given a fair opportunity to provide a reasonable answer to the question he was being asked.

I appreciate Mr S was told the correct information over the phone in 2020, and that he didn't amend the initial estimate he provided when completing the application form later that day. But this doesn't persuade me that had Mr S been sent sufficiently clear information, in writing, about what he needed to provide and guidance as to how he could obtain a reasonable estimate, that he wouldn't have done so. On balance, had Mr S been sent information which made it clear that the "sum insured" he was confirming needed to be sufficient to cover the full rebuild cost of his home and outbuildings, and information on how he could obtain a reasonable estimate for this, I'm persuaded he would most likely have provided a more reasonable estimate. But because CIS didn't provide sufficiently clear information, Mr S ended up significantly underinsured at the point he needed to benefit from the policy CIS sold him. I don't think this is fair.

Mr S's insurer has paid Mr S a reduced claim settlement, less the policy excess, on the basis he was underinsured. So, to put things right in the particular circumstances of this complaint, I'm currently minded to decide that CIS needs to pay the difference between the amount paid by Mr S's insurer (not including the excess deduction) and the total cost to repair his property. I'm also minded to direct CIS to pay 8% simple interest on the amount due to Mr S, to compensate him for being deprived of the use of funds I think he most likely would have had the use of, but for CIS's failings.

That said, the amount Mr S's insurer has paid in settlement of the claim is currently the subject of a separate complaint and so could change as a result. So, if my final decision remains the same as my current thinking, CIS will need to liaise with the insurer and Mr S to establish the final amount paid by the insurer, and therefore the shortfall CIS needs to pay to Mr S to fairly resolve his complaint.

I also think it's clear that having a claim of such significant costs proportionately settled, as a result of CIS's unclear questions, will have caused Mr S a substantial amount of avoidable distress and inconvenience. Mr S has had to live with the damage to his property for far longer than he ought to have done, and has had to go through the avoidable stress and frustration of having to pursue multiple complaints through the Financial Ombudsman Service in order to get a fair settlement. So, in addition to paying the difference between the amount paid by Mr S's insurer and the total cost to repair his property, I'm currently minded to decide that CIS should also pay Mr S £750 compensation."

I asked both sides to provide any further evidence or arguments they wanted me to consider before I reached my final decision.

Mr S confirmed he accepted my provisional findings.

CIS provided a detailed response setting out the reasons it disagreed with my provisional findings. To summarise, it said:

- CIS accepts that it owed Mr S a duty to provide enough clear information for him to understand what he needed to provide or confirm during both the sale and subsequent renewals but it maintains that it discharged that duty by explicitly drawing to Mr S's attention the need to check that his sum insured was adequate.
- The advice received each year must be considered in the context of what Mr S was advised at the original sale in 2020 and I have accepted he was made sufficiently aware of the requirements and options at that stage.
- It doesn't agree that it's unreasonable to expect a policyholder to remember details of a conversation two years earlier, when they only go through one insurance renewal per year.
- CIS disputes that any reasonably competent broker would make the same call, to provide the same advice, year on year when the customer has understood the advice given originally.
- CIS also maintains that had the initial sum insured provided in 2020 been adequate, there would have been no need for Mr S to remember the conversation, because the index linking would have been sufficient to ensure an adequate rebuild cost at each subsequent renewal.
- CIS doesn't agree that Mr S would have acted differently, had he been provided with clearer information at the 2022 renewal. It says he understood the advice given in 2020 but didn't act on it, so it asks on what basis do I believe he would have acted differently in 2020.
- CIS was not required to assist in valuing the items or property to be insured, but to provide clear information to Mr S to enable him to do so. Based on the call recordings from the sale, and the warnings at renewal, it says it did what was required.
- The impact on premium is a key issue for causation purposes and Mr S must be able to show that he would have paid the higher premium. If Mr S would never have paid the higher premium, he cannot have suffered a loss. CIS believes Mr S wouldn't have paid the higher premium and thinks this is the key reason Mr S selected the lower level of cover during the sale in 2020.
- CIS says this was not a case where no advice was given, or advice was misunderstood. Instead, CIS says its advice was understood but not followed.

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've also carefully considered the responses to my provisional decision. But having done so, my conclusions remain the same as already outlined. I'll explain why.

CIS maintains it discharged its duty to provide Mr S with enough clear information to understand the information he needed to provide, both at the sale and the subsequent renewals. But I disagree. I explained in my provisional decision that I thought Mr S reasonably understood from the sales call that the sum insured was the rebuild cost of his home and outbuildings and that he was directed to an online rebuild calculator. But I also explained that I didn't agree the initial sale was as clear as it ought to have been.

I said this because, while Mr S was given this information and directed to the online calculator on the call, this information was only given in response to questions he asked. I've seen no evidence to suggest that the sale would have included this information had Mr S not asked the questions. And I noted this information was not included, or prominently highlighted, in the subsequent paperwork provided as part of the sale. Given how fundamentally important this information is to the policy, I would have expected it to have been included, prominently and clearly, in the paperwork to ensure Mr S had a reasonable opportunity to understand and be fully insured.

I'd also highlight that while Mr S might have been informed about the online calculator on the call, he was not warned of the severe potential consequences of underestimating the sum insured. I'd also note the online calculator could not have been used to help Mr S reliably estimate the cost of rebuilding his outbuildings, only the main property. And I've seen nothing to suggest that CIS supported or guided Mr S as to how he could obtain a reasonable estimate for his outbuildings, either at the sale or the subsequent renewals.

CIS says any renewals must be considered in the context of what was understood from the original sale. But had CIS provided better explanations and support both during the call and in the subsequent sales paperwork, Mr S may well have done more to ensure that the sum insured he declared in 2020 was reasonable.

In any event, as explained in my provisional decision, each renewal is effectively a new sale of a new policy. And so, I think CIS had a responsibility to significantly draw to Mr S's attention what exactly he was confirming was adequate, i.e., that the sum insured meant the rebuild cost of the home and outbuildings, and to provide support about how he could obtain or verify this information. I maintain that it is unreasonable to expect Mr S to remember what was discussed during a phone call several years prior, particularly where there is an onus and responsibility on CIS to provide sufficiently clear information and support.

CIS argues that it's unreasonable to expect it to make the same call to discuss the same information every year. But I never suggested this would have been necessary or appropriate. Rather, I said the renewal process should have prominently highlighted what was meant by sum insured, provided clear guidance as to how Mr S could obtain a reasonable estimate, and made sufficiently clear the potential risk should he not provide a reasonable estimate. I don't think the information provided at the renewals reasonably met these obligations, irrespective of what Mr S might have understood during the phone call which took place in 2020.

CIS also disputes that Mr S would have acted any differently had he been given clearer information. CIS points to the sales call, where it was clearest, and says the fact Mr S didn't follow its advice shows that he wouldn't have acted any differently in 2022 had he been given the right information.

I can fully appreciate CIS's argument here. But unlike CIS, I disagree that the sale in 2020 was sufficiently clear. This is because I'm not persuaded Mr S was provided with sufficiently clear and prominent information, either over the phone or in the subsequent sales paperwork, to fully understand what he needed to provide, how he could obtain a reasonable estimate (for both his property and the outbuildings) and what the risks of getting the information wrong could be. Had all of this information been included, and prominently highlighted, in both the call and subsequent paperwork, on balance, I think it's more likely than not that Mr S would have acted differently.

Further to the above, and crucially, I think the information provided by CIS at the renewal most relevant to this complaint (2022) was significantly less clear than the sale in 2020. I say this because no information was highlighted about what was meant by sum insured, nor about how a reasonable estimate could be obtained. And again, had Mr S been provided with clear and prominently highlighted information about this, and about the risks of getting this wrong, on balance, I think it's more likely than not that he would have provided a more reasonable estimate of the sum insured.

CIS has argued that Mr S would not have paid the increased premium that would have been charged had he provided a more reasonable estimate. It says the fact that Mr S selected the lower level of cover in 2020 supports this. But I'm not satisfied that CIS has evidenced Mr S selecting the 'sum insured' he did was cost motivated, as opposed to him believing the cover he selected was sufficient. I've seen nothing to persuade me that Mr S wouldn't or couldn't have paid the increased premium. So, this point doesn't change my conclusions

In summary, CIS had a duty to provide info that was clear fair and not misleading, but in my view, it didn't fulfil this duty at the sale and definitely not at the 2022 renewal. On balance, I'm persuaded that Mr S would have acted differently had CIS fulfilled the duty. So, I think it would be fair and reasonable in all the circumstances for CIS to compensate Mr S to the value he lost out as a result.

To fairly put things right, I think CIS needs to pay the difference between the amount paid by Mr S's insurer (not including the excess deduction) and the total cost to repair the claim related damage to his property. I also think CIS should pay 8% simple interest on the amount due to Mr S, from the point he received the insurer's proportionate settlement, to the point CIS settles this complaint. This is to compensate him for being deprived of the use of funds I think he most likely would have had the use of, but for CIS's failings.

However, as explained in my provisional decision, the amount Mr S's insurer has paid in settlement of the claim has been the subject of a separate complaint and so is likely to change. So, CIS will need to liaise with the insurer and Mr S to establish the final amount paid by the insurer, and therefore the shortfall CIS needs to pay to Mr S to fairly resolve his complaint.

Neither side raised any specific arguments in response to my provisional findings on fair compensation for the avoidable distress and inconvenience Mr S has suffered. Given this, and because my findings on the sale and renewal issue remains the same as outlined in my provisional decision, I've also reached the same conclusion on compensation that I reached – and for the same reasons.

My final decision

For the reasons explained above, and in my provisional decision, I uphold Mr S's complaint. County Insurance Services Limited must:

- Pay Mr S the difference between the final settlement paid by Mr S's insurer and the total cost to repair the claim related damage to his property.
- To the amount due, add 8% simple interest* from the point Mr S received the proportionate settlement from his insurer to the date of settlement.
- Pay Mr S £750 compensation for the distress and inconvenience it has caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 5 November 2024.

**If County Insurance Services Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr S how much it's taken off. It should also give Mr S a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.*

Adam Golding
Ombudsman