

## **The complaint**

Mr and Mrs K have complained about the decision by Automobile Association Insurance Services Limited (AAIS) to remove contents cover from their home insurance policy.

## **What happened**

Mr and Mrs K took out a home insurance policy arranged through AAIS which is an insurance broker. The policy covered their contents for up to £40,000 which included £7,500 for valuables and personal possessions.

Some months later Mr K rang AA to increase his contents cover as their jewellery had recently been revalued as worth over £38,000. He told AAIS that these items of jewellery were to be lodged in a safe deposit box with their bank. He said the total amount of valuables being lodged with the bank would be worth over £43,000. He wanted cover of £80,000 including valuables.

AAIS said it would see if it had an insurer which would accept that amount of valuables. It contacted Mr and Mrs K to say there were no insurers offering such a policy through it. It said as the current contents cover was insufficient and it was unable to increase it, it needed to remove the contents cover with immediate effect. Mr and Mrs K say they had to take out more expensive new contents cover as a matter of urgency.

Mr and Mrs K brought a complaint to this service. After they'd done so, AAIS realised that it should have refunded a proportion of the premium for the contents cover. It offered a refund of £40.51 and a payment of £75 as compensation for the delay. Mr and Mrs K didn't think that was enough to compensate them for the inconvenience caused by having their contents insurance cancelled and the higher price they'd had to pay for replacement cover. They were also concerned that they might have to pay more for insurance in future because they'd had a policy which had been cancelled.

Our Investigator didn't uphold the complaint. She thought AAIS's offer was fair and reasonable.

As Mr and Mrs K didn't agree, the matter has been referred to me.

## **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.

Firstly I want to explain that, as set out in the policy documentation, AAIS arranged and administered Mr and Mrs K's policy but wasn't the actual insurer. The insurer was one of the insurers on AAIS's home insurance panel. It was the insurer's decision not to continue insuring Mr and Mrs K's contents in the light of the revised valuation. AAIS merely communicated this decision to them on behalf of the insurer. Its duty didn't extend to helping them find alternative cover when its panel of insurers wouldn't accept the risk Mr and Mrs K posed.

So I don't think AAIS was responsible for the cancellation and the increased cost of the new cover Mr and Mrs K had to arrange at short notice. If their cover was no longer valid, it was in Mr and Mrs K's best interests to arrange alternative cover as soon as possible.

I've looked at the process AAIS followed. AAIS accepts it made an error in not offering a pro rata refund of the contents premium at that time. It apologised for this and has offered the refund and £75 compensation.

Mr and Mrs K were entitled to a refund of the premium. So far as the offer of compensation is concerned, I think it is fair and in line with awards our service would make in similar circumstances. The £75 compensation is for the delay in processing the refund rather than for the cancellation itself. As I don't think the policy cancellation was AAIS's fault, it wouldn't be appropriate to award compensation for that aspect.

Overall, I don't think AAIS has treated Mr and Mrs K unfairly in respect of the policy cancellation. It made errors in processing this but has made a fair offer of compensation for the inconvenience that caused. I don't think AAIS needs to do any more.

### **My final decision**

Automobile Association Insurance Services Limited has already made an offer of £115.51 to settle the complaint and I think this offer is fair in all the circumstances.

So my final decision is that Automobile Association Insurance Services Limited should pay Mr and Mrs K the sum of £115.51.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs K to accept or reject my decision before 17 October 2024.

Elizabeth Grant  
**Ombudsman**