

The complaint

D and Mr R have complained that Bluedrop Services (NW) Limited failed to tell them that D's shop insurance policy had been cancelled and as a result a claim was not paid.

What happened

In June 2023 D took out a policy through Bluedrop, its broker, to cover its shop business. It was a condition of the policy that the premises should be protected by an intruder alarm system to the specification noted on the policy within 45 days of the start of the policy. It said that failure to comply with that condition would result in the policy being cancelled on the 45th day from the policy being taken out.

D entered into an arrangement with a third-party finance provider to pay the premium in instalments by direct debit.

Bluedrop was told in August 2023 that an alarm had been fitted but there was no information about the type of system. So Bluedrop couldn't be sure that D had complied with the terms of the policy. It asked D for this information and told it the policy would be cancelled if the information were not provided. As it didn't receive the information the policy was cancelled by the insurer on 30 August 2023.

In March 2024 the cash machine in D's shop was forcibly removed, causing significant damage to the premises and contents. Mr R said he believed that D was still insured as it had still been making the direct debit payments to the finance provider. He also said he never received notification that the policy had actually been cancelled.

Mr R complained to Bluedrop. It said he had been made aware on several occasions that the policy would be cancelled if information about the alarm system wasn't provided. It said even if the policy had been in force, D wouldn't have been covered for its loss because it was in breach of the alarm condition. Bluedrop acknowledged that it was its fault that the direct debit hadn't been cancelled and said it return the payments made after cancellation of the policy.

D and Mr R brought a complaint to this service. Our Investigator recommended that Bluedrop pay compensation of £250 for its administrative error in not sending out a cancellation letter or cancelling the direct debit.

In response D's representative made the following points:

- Although Bluedrop had sent emails about the alarm, it should have followed up with phonecalls or sent a letter by registered mail.
- It was reasonable for Mr R to assume that the alarm condition had been satisfied as D was continuing to pay the premiums.
- Mr R's health condition may have limited his capacity to monitor the situation closely.
- Bluedrop should have communicated more clearly to Mr R what was needed in order to comply with the condition in the policy.

D also sent us details of the alarm system which it said had been installed at the premises when the policy was taken out.

As D and Mr R 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.

Bluedrop has provided evidence to show that the following emails were sent:

- On 17 July it asked Mr R to confirm that he had complied with the condition in the policy regarding the alarm.
- On 14 Aug it wrote to Mr R asking for confirmation that the type of alarm required by the policy had been installed at the premises.
- On 15 Aug it told Mr R the insurer was looking to cancel the policy as it appeared that D hadn't complied with the condition in the policy regarding the alarm system.
- On 17 August B told D that the policy would be cancelled on 21 Aug if the insurer didn't receive confirmation that an acceptable alarm system was in place at the premises. It said *"We have been trying to contact on numerous occasions by email and telephone but receive nothing."*
- On 18 August D's representative replied *"He is happy to continue policy. He has alarm system."*
- On 21 and 22 Aug B told them the insurer knew D had an alarm system but required the following information:
 1. What type of alarm was installed e.g. audible only, audible with dialler to key holder or digital communicator to monitoring station
 2. Whether the alarm had a police response and if so, at which level.
 3. Who maintained the alarm.

B reminded D that it was past the extension given by the insurer to provide this information.

- On 23 August Bluedrop said *"If you can please come back to me on my previous email as soon as possible, so your insurance is not cancelled. The insurer has given you until Friday we need the specific alarm details answered below please."*
- Finally on 30 August *"We have yet to receive a response with regard to the alarm. These are urgently needed as the insurer is looking to cancel imminently."*

If Mr R hadn't received the emails from Bluedrop about the potential cancellation of the policy, I might agree that Bluedrop should have tried alternative methods of communication. However, it is clear that from the response on one occasion that at least one of the emails was received. Bluedrop used an email address for Mr R which is the same as the one he provided to this service. So I see no reason why the other emails shouldn't have also been received. It appears that Bluedrop had also tried to phone Mr R. I don't think it was obliged to communicate by letter in addition to this.

Where I think Bluedrop did fail D and Mr R is by not actually telling them that the policy had in fact been cancelled by the insurer. This should have been no surprise to Mr R. After all he was well past the 45-day period within which he had to provide information about the alarm system to the insurer. He had had no fewer than 9 emails from Bluedrop on the subject. So I don't think he was entitled to assume that the policy was continuing just because the direct debit was still in force. It is not uncommon for businesses to overlook the cancellation of direct debits.

While I don't hold Bluedrop responsible for the consequences of D being uninsured, I do think its failings of customer service (not serving notice of the actual cancellation of the policy and not cancelling the direct debit) made the situation worse for D and Mr R than it needed to be. I agree that the sum of £250 is appropriate compensation for this.

Mr R should also have been aware that even if the policy was still in force, any claim where the alarm system might be relevant might well not be covered. The Schedule to his policy said:

"INTRUDER ALARM SYSTEM

It is a condition precedent to the liability of the Insurer that, if in relation to a claim for Damage the Insured has failed to fulfil any of the following conditions, the Insured may lose their right to cover or payment for that claim."

It was a condition of the policy that the premises should be protected by an intruder alarm system *"designed, installed and maintained as agreed by the Insurer"*.

The Schedule to the policy specified the type of alarm required. It said:

"REQUIRED ALARM: DUAL PATH ALARM TO MONITORING STATION WITH POLICE RESPONSE"

The specification which I've seen for the alarm system installed at the premises says that that the alarm transmission system is single path as opposed to dual path. So I don't think it would have satisfied the insurer's requirements. That means even if the policy hadn't been cancelled, it is unlikely the claim would have been accepted.

I am sorry to hear of Mr R's health problems. However it appears that Bluedrop was only made aware of Mr R's condition after he'd suffered a loss. So I don't think it would be fair to say that it should have made allowances for this before the policy was cancelled.

I also think that Bluedrop made it very clear to Mr R what the insurer needed to know. The information about the alarm system in place at D's premises has since been provided to this service. If that information had been provided to Bluedrop before 30 August 2023 as requested, it's reasonable to assume that it would have been passed to the insurer for assessment and Mr R would have been told for certain whether or not his policy could continue.

Putting things right

To put things right I think Bluedrop should pay D £250 compensation for the inconvenience it caused.

My final decision

For the reasons set out above, I uphold this complaint in part and require Bluedrop Services (NW) Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask D and Mr R to accept or reject my decision before 9 December 2024.

Elizabeth Grant
Ombudsman