

The complaint

Mr S complains about the sale of a home insurance policy by Principality Building Society.

What happened

The following is intended as a brief summary. Mr S purchased an insurance policy through Principality in September 2023. The policy covered a property he owned, but did not reside in. The policy contained terms and conditions that required the policyholder to live at the property insured.

Mr S told Principality's sales agent this was not the case before taking out the policy. The sales agent said this wasn't an issue as there was an 'exception' applicable to this condition - which meant cover would still operate, despite the policy's terms stating he needed to be in occupation of the property himself.

When Mr S received the policy documents, they still referred to the insured property being his main residence. So, Mr S sought confirmation of this exception, and the legal basis upon which it was agreed. The underwriter wrote to Mr S in early October 2023 and said they were aware Mr S's mother resided in the property and they would insure the property as an exception for 12 months.

Mr S wasn't ultimately satisfied with the wording or specificity of the underwriter's letter. Further clarification was sought, and an extended response was sent by the Underwriter in early November 2023.

Ultimately, Mr S says Principality provided conflicting information which meant he wasn't sure of the cover his policy provided. He says he wasn't provided any evidence to show the exception was legally valid and this meant any claims could have been turned down.

Mr S raised a complaint with Principality. He was unhappy with how they had handled the matter. Principality said the main issue of whether the policy provided the cover Mr S had requested had been resolved. But they did agree there had been some service level failings, and they offered £250 compensation for any trouble and upset caused.

Mr S remained unhappy with Principality's response to his complaint and brought it to this Service. He said Principality hadn't addressed the issues raised properly and he was unhappy with how they had handled the subsequent complaint. He also said they hadn't responded to any of his concerns over breaches of the Consumer Duty.

An Investigator looked at what happened but didn't recommend that Mr S's complaint be upheld. She said Mr S had been sold a policy that was suitable for him, and he received confirmation of this from both Principality and the underwriter. She also felt the offer of compensation was suitable in the circumstances for the service failings Mr S experienced.

Mr S disagreed with the Investigator and asked for an Ombudsman to consider the complaint. So, it's 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.

I'd like to start by reassuring both parties that although I've only summarised the background to this complaint, so not everything that's happened or been argued is set out above, I've read and considered everything that has been provided. This isn't meant as a discourtesy – rather it reflects the informal nature of this Service. So, while I may not comment on each and every point made, or piece of evidence provided, I have taken it all into account.

I should also explain that I haven't commented on anything the policy's underwriter did, or did not do, as part of my Decision. This is because the complaint has been raised against Principality alone. While I appreciate Mr S feels the underwriter is connected to the issues he experienced, any complaints about the underwriter specifically would be subject to their own separate complaint process. I'll also only be looking at the specific complaint around Principality, and not Mr S's concerns over the wider industry's handling of insurance complaints.

While I've taken into account relevant law and industry rules, guidance and best practice - and read and considered all the evidence provided by both parties – I need to make it clear that it's not my role to make a detailed finding on breaches of the Consumer Duty. I do appreciate Mr S may be disappointed with this – especially given his comprehensive submissions on what he considers to be breaches of the FCA's Consumer Duty. But my role is to reach a decision on the specific complaint at hand that I consider to be fair and reasonable in all the circumstances, with minimal formality.

When the policy was sold, Principality was under a duty to give Mr S information that was clear, fair, and not misleading about the products they were selling. This would allow Mr S to make an informed choice about his purchase. I do agree the sale's process could have been smoother, and Principality did provide Mr S with some conflicting information initially that caused him to reach out to the underwriter for clarity.

But the underwriter confirmed the information Mr S asked for about the exception to the standard terms of the policy in writing on two separate occasions. And although I appreciate this may not have been to Mr S's complete satisfaction – I do find that Mr S was given clear information about this.

I also appreciate Mr S had concerns over whether the underwriters written correspondence would be considered a valid change to the written terms. But it's accepted practice that an insurance policy's terms can be varied by express agreement.

I'm persuaded that the underwriter's letters confirming the exception were sufficient. I also find that it would have been disproportionate for Principality to provide legal advice on the specifics of the exception, given the underwriter had confirmed in writing the level of cover being provided.

So, while I take on board Mr S's comments about the policy being potentially mis-sold, I haven't seen any evidence to persuade me that Principality's actions caused a demonstrated financial loss to Mr S. It follows that I don't consider Mr S was mis-sold the policy – because it provided the cover he asked for. And I also won't be making any awards in respect of potential or hypothetical losses. While I sincerely appreciate Mr S may have been concerned about a future claim, the fact remains that he's not made a claim on the policy, nor has any claim been declined as a result of anything Principality did or didn't do.

In respect of Mr S's other main complaint points, I do think Mr S spent a lot of time chasing for updates, and he's had a poor and stressful experience over and above what I would consider to be normal. I appreciate this situation has clearly left Mr S feeling stressed and upset, given his concerns over what cover the policy may have provided. And I can see Principality offered Mr S £250 compensation to make up for any distress caused.

Putting things right

A compensation award isn't intended to fine or punish a business, it's to recognise the impact the business' actions have had on their customer in a particular complaint. When deciding what amount would be fair, I need to consider how Mr S was affected.

Given Mr S was informed he had cover by the underwriter a little over two months after he purchased the policy, I consider the impact caused to be minimal in the circumstances. So overall, I find that the £250 offered is a fair sum of compensation that reflects the impact Principality's actions had on him.

I should also explain that while the offer of compensation was made prior to the complaint coming to this Service; because it hasn't been paid - as Mr S disagrees with the sum offered – this complaint must be treated as upheld in order for me to direct Principality to pay the level of compensation offered.

Mr S may be disappointed with this outcome, and I appreciate the level of compensation may not be what Mr S had hoped for. But I consider it to be appropriate in the circumstances and I'm satisfied it provides a fair and reasonable outcome in this particular case.

My final decision

My final decision is that I uphold this complaint and require Principality Building Society to pay £250 compensation for distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 January 2025.

Stephen Howard
Ombudsman