

The complaint

Mr and Mrs M complain that Avantia Insurance Limited (Avantia) provided unclear information during the sale of a home insurance policy which resulted in the settlement of a claim being reduced by the insurer.

What happened

Mr and Mrs M have a home insurance policy with an insurer I'll refer to as X. This was purchased online via Avantia.

Mr and Mrs M discovered the cesspit at their home was full, so they arranged for this to be emptied. However, it refilled quickly indicating there was an issue with it. So, Mr and Mrs M made a claim to X.

Following X's claim investigations, they said Mr and Mrs M were underinsured for their outbuildings cover. X said the outbuildings cover limit they'd chosen wasn't sufficient as Mr and Mrs M hadn't included the cesspit (and some other items) within this. Consequently, X calculated the outbuildings were only 17.66% insured compared to what X said they should have been. And ultimately X sought to proportionately settle Mr and Mrs M's claim by only paying 17.66% of their quote for repairs.

Mr and Mrs M brought a complaint about X proportionately reducing the claim settlement to this service. Mr and Mrs M also outlined their concerns about the sales process and the information they were provided, which they said was unclear and caused them to select the outbuildings cover limit they did, which then resulted in underinsurance. Avantia confirmed they were responsible for the sales process, and X was responsible for the claim and reducing the settlement.

Ultimately the investigator said X had acted unfairly in proportionately settling the claim by 17.66%. And so, she said X should deal with the claim up to the chosen policy limit of £7,500, subject to any excess applicable. Both X and Mr and Mrs M agreed to this.

However, the £7,500 policy limit now agreed as payable by X was significantly less than the total cost of repairs of around £26,000. The investigator went on to consider Mr and Mrs M's concerns about the sales process and information they were given at that time by Avantia, as Mr and Mrs M maintained it was this unclear information that caused them to accept the £7,500 outbuildings policy limit and they held Avantia responsible for the shortfall.

The investigator ultimately concluded that the information provided, and questions asked during the sales process by Avantia were unclear, and she said this had meant Mr and Mrs M had selected a much lower policy limit (the limit that X had now agreed to pay) than they needed. So, she said Avantia was responsible for the shortfall in policy cover with X, and recommended Avantia pay the remainder of Mr and Mrs M's quote for insured repairs to the cesspit. She also said Avantia should pay £350 compensation.

Avantia didn't agree and asked for a final decision from an ombudsman.

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've reached the same overall outcome as our investigator.

The whole dispute arises because X concluded Mr and Mrs M had underinsured their outbuildings, in particular, because they didn't include their cesspit when they chose a £7,500 limit for outbuilding cover. And that limit is all that's been paid in settlement of the claim by X, when the cost of repairs is around £26,000. However, Mr and Mrs M's argument is that they only accepted this limit because of the unclear information and questions presented by Avantia about outbuildings during the sale.

My consideration in this decision is about Avantia and the sales process they were responsible for, and whether that caused Mr and Mrs M to have a lower policy limit meaning they were then underinsured for outbuildings.

Mr and Mrs M say that the information provided by Avantia didn't indicate cesspits needed to be considered as an outbuilding, so they'd interpreted the cesspit to fall within the £1million of general buildings cover they selected.

Although this complaint relates to the outbuildings cover and limit, I think it's helpful to also explain the wider sales process for the general buildings cover too as this was different. And I think the guidance given by Avantia around choosing the general buildings sum insured was clear. This asked:

"What is the cost of rebuilding the property"

It then gave detailed guidance on what this meant and what it would need to include, and a link to an online rebuild calculator. I think this was clear, and there is no dispute that the main building was sufficiently insured by Mr and Mrs M, and they had £1million of cover. The guidance part of the question also specifically said *"You don't need to include the cost of any outbuildings"*.

The sales process then went on to say, relating to outbuilding cover:

"Your policy includes £7,500 cover for rebuilding or repairing all detached outbuildings. Is this sufficient?"

And next to that was a pop-up question mark which when pressed explained:

“Your policy automatically includes £7,500 cover for rebuilding or repairing outbuildings.

If you need more than that please enter the total amount of cover you require i.e. if you need £10,000 cover for Outbuildings, please enter 10000 in the box (not 2500).

Outbuildings – these include (but are not limited to): detached garages, sheds, boundary or garden walls, fences, tennis courts, swimming pools, external car ports, driveways, patios, artificial lawns, septic tanks, soakaways or sewage treatment centres.”

Whilst I think the question, and specific guidance, about rebuilding the main property and general buildings sum insured was clear, by contrast, I don't think the question about cover limits for outbuildings was. This is because, unlike the general buildings sum insured question and guidance, it simply asked how much cover Mr and Mrs M wanted, with no reference to this needing to be rebuilding values of the outbuildings, or how that could be calculated.

On the basis that Mr and Mrs M had recently replaced their fences, and that cost them around £2,000, they thought £7,500 would be sufficient and that was all they'd expect to be covered in the event of a claim based on what they understood to be an outbuilding from what was asked and the definition that was provided by Avantia.

However, after making the claim, X concluded Mr and Mrs M were underinsured as they said the cesspit should have been included within the outbuildings sum insured. The full policy terms provided by X after the sale outlined what X considered to be an outbuilding. This included the same definition presented by Avantia (outlined above) during the sale, but it further expanded on the definition to include:

*“Outbuilding(s)
Fixed structures or buildings detached from the Home located within the Boundary that You are legally responsible for.”*

So, the full terms actually contained a wider definition of what X considered an outbuilding – to include *fixed structures* - compared with the information and definition Mr and Mrs M were presented with by Avantia during the sale. And by the full policy terms definition, I think this could reasonably be interpreted as including the cesspit as a *fixed structure detached from the home*. However, the information presented by Avantia at point of sale didn't outline this wider definition, and instead only mentioned *detached outbuildings* in the question about cover, which I don't think could reasonably be interpreted as a cesspit, and then went on to outline a definition, which didn't include cesspits either.

Avantia has said that the definition during the sale includes *sewage treatment centres*, so they say that's sufficient to reasonably interpret the outbuildings definition as meaning cesspits too. When saying this, Avantia also included an explanation of what a cesspit is, which outlined:

“A cesspit is a sealed, underground tank that collects and stores sewerage without treating it.”

So, whilst Avantia says *sewage treatment centres* should be interpreted when taking out a policy to include a cesspit, in the same definition they provided, this confirms a cesspit is a storage of waste without treatment facility, rather than a treatment centre. So, I don't agree with Avantia's view on how a sewage treatment centre should be interpreted to include a cesspit.

Therefore, as the online information presented by Avantia didn't outline cesspits (or *fixed structure detached from the home* - which is in the full definitions provided by X post sale) I don't think it was unreasonable for Mr and Mrs M not to include the cesspit within their assessment of whether £7,500 would be sufficient based on what Avantia provided during the sales process.

Avantia has also argued that Mr and Mrs M were given the full policy terms by X after the sale so should have realised at that point that a cesspit would be considered an outbuilding and used their 14-day cooling off period. But as Avantia should already be aware, during the sale they need to provide information, which is clear and not misleading. It simply isn't fair or reasonable for Avantia to provide unclear information during the sale and then leave it to the policyholder to cross-reference and decide whether that information was clear, unclear, right or wrong, when they later receive the policy terms post sale with different wider definitions – especially given the considerable detriment this could cause, as it did here.

With this in mind, I think the unclear and narrower definition of an outbuilding presented by Avantia during the sale has prejudiced Mr and Mrs M's decision on the amount of outbuilding cover they chose at the point of sale. And I'm persuaded, on balance, that if Avantia's information was clear in indicating the cesspit would be classed as an outbuilding (or there was the wider definition which is in the policy terms later provided by X which could reasonably be interpreted to include a cesspit) then it's more likely than not that Mr and Mrs M would have selected a higher, more suitable, level of outbuilding cover – especially given the additional premium would've been an additional £17 for £58,000, rather than £7,500, of outbuilding cover.

So, with this in mind, I'm persuaded that due to the unclear information and questions presented by Avantia during the sale, this has caused Mr and Mrs M to have had a much lower policy limit than they otherwise would've done. And consequently, Avantia is responsible for the shortfall between the policy limit paid by X, and the remaining cost of the cesspit repairs. Therefore, I'm directing Avantia to pay the remainder of Mr and Mrs M's quote for repairs to the cesspit that would have been insured and covered by X but for the policy limit. However, Mr and Mrs M haven't yet had repairs completed, and it's been some time since obtaining the original quote. Therefore, Mr and Mrs M may need to obtain an updated quote, which they'll then need to provide to Avantia in order for the amount due to be calculated.

Mr and Mrs M have also been caused distress and inconvenience when, due to the unclear information provided during the sale by Avantia, this meant X first significantly proportionately reduced their claim. Mr and Mrs M then needed to pursue a complaint to be paid the policy limit by X, still leaving them significantly short on the costs of repairs. And had the sale been clearer, this could've been avoided. So, I agree with our investigator that Avantia should also pay Mr and Mrs M £350 compensation for the distress and inconvenience caused.

My final decision

It's my final decision that I uphold this complaint and direct Avantia Insurance Limited to:

- Pay the remainder of Mr and Mrs M's quote for repairs to the cesspit that would have been insured and covered by X but for the policy limit (if an updated quote for the same work differs to the original quote, then Avantia should pay the remainder of the new quote).
- Pay Mr and Mrs M £350 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 11 March 2025.

Callum Milne
Ombudsman