

The complaint

Ms S complains U K Insurance Limited trading as Direct Line (“UKI”) Insurance sold her landlord insurance policy that wouldn’t have covered her type of property.

What happened

In 2022 Ms S bought her home from a family member, it was a home in multiple occupancy (HMO).

Ms S took out cover with UKI, this renewed in 2023. In 2024, she contacted UKI to make some changes to the policy at renewal and said she checked the policy covered her as a HMO landlord. UKI said it wouldn’t offer cover in her scenario. Mrs S complained to UKI.

UKI accepted Ms S had declared her property as a HMO when the policy was taken out, it said it was its error in offering a policy. It said it would allow Ms S to cancel the policy. It also offered £55 compensation for the inconvenience she’d been caused. It didn’t agree to refund her policy premiums paid during previous policy years as it said it would have considered any claim made under the policy, had the need arose, given it was its error in setting it up.

Unsatisfied with UKI’s response, Ms S referred her complaint to the Financial Ombudsman Service. She said she’d paid over £1,000 for a policy that hadn’t existed. She thought UKI should refund this amount. She said the compensation offered was not enough to compensate for the anxiety she felt over possibly losing her home. She also wanted UKI to write to all of its landlord policy holders to ensure there was no one else in the same position as her.

Our Investigator said it wasn’t in dispute that UKI was at fault, but he considered it had acted quickly to resolve matters once the error had come to light. So, he thought the compensation offered by UKI was sufficient. He said he couldn’t require UKI to write out to all of its policyholders, as that isn’t the role of this Service.

Ms S asked for an Ombudsman to consider matters. She said UKI had actually offered her three cheques, one for the £55 set out in its complaint response, and two others for similar amounts. She said £55 wasn’t enough for her time spent on the phone with UKI. She didn’t agree that any claim she might have made under the policy would’ve been considered and was concerned other people might not realise they’ve bought a policy which offers them no cover.

As the matter hasn’t been resolved, it has come 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.

It’s not in dispute that UKI has made an error here, so my role is to consider whether it’s offer to put matters right is fair and reasonable.

Where a business makes a mistake, it is our role to put a policyholder – so in this case Ms S – back in the position she would’ve been in (or as close as possible) had the error not occurred.

UKI's error was in accepting the policy, when it shouldn't have offered one. Had it told Ms S in 2022 that it couldn't offer her a policy as she was a live in landlord of a HMO, she'd have sought cover from another insurer, and paid the premiums for it. She'd have still had insurance cover for the two years she's asking UKI to refund. So I don't consider UKI refunding her premiums puts her back in the position she would've been in, but for its mistake. To put it another way, whilst UKI has made an error, I'm not satisfied it's caused her a financial loss, as she'd have always had to pay to insure her home.

Fortunately for Ms S, she hasn't had to make a claim under the policy. Whilst she doubts UKI would've covered her if she'd had to, this Service isn't here to speculate on 'what if' scenarios. I can only consider what did happen.

UKI did act quickly, once Ms S asked for confirmation she was covered as a HMO landlord, to confirm cover couldn't be offered. I've no doubt it was worrying for Ms S to hear that the policy didn't apply in her circumstances, and I understand it would then be inconvenient to have to source alternative cover at short notice to ensure her home was adequately insured. But overall, I'm satisfied UKI's offer of £55 compensation is reasonable the inconvenience caused. And whilst Ms S says she's been worried about losing her home, as set out above, I can't award compensation for 'what if' scenarios that didn't happen.

Ms S has said UKI has issued further payments to her, in addition to the £55. I'm unclear exactly what they were for, or if they were accepted by Ms S. But whether it's offered further compensation since the complaint was referred to this Service, doesn't alter my findings set out above.

I understand Ms S is concerned there may be other people impacted. This Service is set up to resolve individual disputes, so I can't require UKI to take action for all of its policyholders. Nor can I require it to change any questions asked when it incepts an insurance policy. That is the role of the regulator, the Financial Conduct Authority. UKI says it can offer cover in certain scenarios to HMOs, but it's not my role to consider this. UKI is also entitled to decide which risks it is willing to insure, and those it isn't. That being said, we do expect businesses such as UKI to learn from decisions this Service issues. I hope that provides Ms S with some reassurance that raising it might help others.

My final decision

My final decision is that UKI has already made a fair offer of compensation. So to resolve the complaint, it needs to pay Mrs S £55 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 17 April 2025.

Michelle Henderson

Ombudsman