

## **The complaint**

Mr and Mrs H have complained that HSB Engineering Insurance Limited (“HSB”) charged them unfairly in relation to an unsuitable building guarantee.

## **What happened**

Mr and Mrs H took out a building guarantee in January 2023 for a self-build property. In November 2024, the policy was cancelled due to the fact that the angle of the pitched roof of the property was too flat (17.5 degrees) and not in line with the technical requirements of the policy which required a 20-degree angle on a pitched roof. HSB retained various fees and charges following the cancellation.

Mr and Mrs H complained. They said they’d made the warranty provider aware of the pitch of the roof from the outset and the policy shouldn’t have been sold to them as the information regarding the roof angle was available to the warranty provider as early as January 2023.

In its response to their concerns, HSB said it acknowledged that its surveyor missed the details of the roof which were available to him as Mr and Mrs H had provided the required information, and the surveyor should’ve flagged it earlier. It upheld their complaint and said internal feedback had been provided, but said it was unable to provide financial recompense for a policy elsewhere, even though Mr and Mrs H had now been faced with having to take out a retrospective warranty which would cover their roof, at a higher cost. HSB also said it would refund a total of £5,898.40 – made up of £4,492.43 from the premium paid, Warranty Insurance Premium Tax of £567.46, a MIDI refund of £35.28 including Insurance Premium Tax and a Technical Admin Fee of £803.23.

HSB said it would be retaining £236.44 as a Cancellation Fee, a Self-Build Admin Fee of £150 and a Technical Admin Fee of £350, predominantly due to the costs it had incurred.

Mr and Mrs H remained unhappy – so they referred their complaint to the Financial Ombudsman Service. Our Investigator considered the complaint and recommended HSB refund the Technical Admin Fee, the Self-Build Admin Fee or the Cancellation charge. He recommended a total refund of £736.44 and said HSB should also cover the difference between the cost of its policy and the cost of a new policy which will likely be higher.

HSB didn’t agree with our Investigator’s opinion. It said Mr and Mrs H’s first policy was cancelled because there was inactivity on site for 180 days. And that the retained amounts were as a result of costs it had incurred in administering the policy. As an agreement couldn’t be reached, the complaint was referred to me for an Ombudsman’s decision.

## **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.

As this is an informal service, I’m not going to respond here to every point raised or comment on every piece of evidence Mr and Mrs H and HSB have provided. Instead, I’ve

focused on those I consider to be central to the outstanding issues. But I would like to reassure both parties that I have considered everything submitted. And having done so, I'm upholding this complaint. I'll explain why.

It's not in dispute whether an error or omission was made by HSB in not flagging the angle of the pitched roof at the earliest possible opportunity. It's clear from what both parties have said, that the information about the roof angle was provided in January 2023 and that this was missed or not flagged by the surveyor at the time. So HSB should've withdrawn cover at this point, as the roof angle was too flat and Mr and Mrs H have explained why the plans couldn't be changed at this point – this would've been in breach of their planning permission.

I've checked the cancellation terms of the policy to see if it outlines which fees and charges will be retained in the event of a cancellation. These say that if the policy is cancelled before the certificate of insurance is issued, then the following applies:

*"As construction contracts can be of varying duration and there is always a technical audit, our fees will vary depending on the stage at which notice of cancellation is given. If insolvency cover is applicable for the contract period, this will also be taken into account when calculating any refund. An administration fee will apply up to a maximum of 20% of the insurance premium depending on the amount of work undertaken — i.e. £1,000.00 insurance premium would equate to 200.00 administration fee."*

Whilst the above term shows that an Administration fee is applicable, it also says this is dependent on the work undertaken. And HSB hasn't shown how much work would've been carried out up to the point the surveyor should've identified the issue with the roof. And whilst the policy also refers to a technical audit fee, this appears to be chargeable for certain reasons and I'm not satisfied HSB has shown that any valid reasons apply for this to be charged. I also don't think it's fair for a cancellation fee to apply when the policy was cancelled due to HSB's own error.

On the Site Statement of Fact, the question *"Are you building a Flat Roof and/or Balcony?"* is asked, to which the answer given is *"No"*. There's no question about the angle of the roof, and I can see this information was provided early on. So I'm not persuaded that the amount of work undertaken by HSB at the point at which it should've and could've identified the issue, justifies the fees it's retained.

Due to HSB's error, Mr and Mrs H will need to obtain alternative cover for their build. This is likely to be more costly as an insurer won't be able to carry out inspections during the build – so it's likely their insurer will factor that into any risk assessment it undertakes, resulting in higher premiums for Mr and Mrs H. If HSB had done what it should've – back in 2023, then Mr and Mrs H would've been able to source alternative cover with an insurer that could carry out an inspection during the build process. So I think HSB should also cover the difference in premiums between its policy and a similar policy which provides cover for Mr and Mrs H's roof – subject to Mr and Mrs H providing details of any quotation or policy premium to HSB.

I won't be requiring HSB to refund the premiums from the first cancelled policy, as, although Mr and Mrs H feel the first policy also wouldn't have provided adequate cover, that policy was only cancelled due to inaction by the builder – not due to HSB's error.

Due to Mr and Mrs H's age and situation, I think they've been caused distress and inconvenience for which they should be compensated. I think a fair amount of compensation is £300 in the circumstances, as this reflects that they've had the hassle of having to look for alternative cover at a higher cost and with great difficulty, when they shouldn't have had to at this stage. And whilst HSB has said it has paid them £700 compensation as a gesture of goodwill, it hasn't provided evidence of this, and this amount is not mentioned in its final

response letter.

### **Putting things right**

HSB Engineering Insurance Limited should:

- Refund the Cancellation Fee of £236.44, the Self-Build Admin Fee of £150 and the Technical Admin Fee of £350, plus interest at a rate of 8% simple per annum, from the date Mr and Mrs H received the initial refund from HSB, until the date of settlement.
- Pay Mr and Mrs H an additional £300 compensation, on top of any compensation already offered or paid to them for this complaint.
- Pay the difference in premiums between HSB's policy and any new similar policy taken out by Mr and Mrs H, subject to Mr and Mrs H providing evidence of their new premiums and new policy terms.

### **My final decision**

My final decision is that I uphold this complaint and I direct HSB Engineering Insurance Limited to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 23 November 2025.

Ifrah Malik  
**Ombudsman**