

The complaint

A limited company, which I will call C, has complained about a commercial insurance policy sold to it by U K Insurance Limited trading as Direct Line (“UKI”).

Mrs N, as director of C, has brought the complaint on its behalf.

What happened

C had the same commercial insurance policy with UKI for around 13 years. In April 2024, UKI notified C that it was changing its systems, which meant the policy would not automatically renew as usual at the end of the policy year (which was in early May 2024). UKI said it would have to set up a new policy and would do this over the phone. UKI subsequently called C to do this. During the call, UKI said it would provide a “*mirror*” policy which C says meant it would reflect the same cover C had previously. UKI went through some questions during the call and the policy was set up.

In February 2025, Mrs N contacted UKI as there had been a fire at C’s premises. UKI has proceeded with the claims for lost stock and contents. However, UKI said that there was no cover for business interruption as a result of the fire, as C had told it during the call to set up the policy that it did not need that cover.

C was very unhappy with this, as it said it had business interruption cover in the previous policies and would not have chosen not to have it in the new policy.

UKI provided a recording of the phone call, in which business interruption cover was declined and did not change its position on the claim.

C therefore referred its complaint to us. C says UKI was not clear over the phone, as UKI said it was going to mirror the existing policy, which it was happy with, so it declined the cover that UKI said on the phone was additional and had not previously been on the policy. There was no description of each of the additional covers that UKI said C did not previously have and C says it therefore had a reasonable expectation that the cover would stay the same.

One of our Investigators looked into the matter. He recommended that it be upheld, as he considered the call was not clear: UKI told C everything would stay the same and only asked C about cover options that were not on the existing policy, apart from business interruption, which meant it was not clear to C.

The Investigator said the call-handler was probably not clear because in the previous policies the equivalent cover was called “*loss of income and loss of book debts*” but on the new policy was called “*business interruption*”. The Investigator therefore recommended that UKI effectively reinstate the business interruption cover and consider the claim under that section of cover. He said UKI would be entitled to deduct any additional premium that would have been charged had business interruption been included from May 2024 and that it should also add interest to any claim settlement.

UKI does not accept the Investigator's assessment. It has made a number of points in support of its position. I have considered everything it has said and have summarised its main points below:

- This was a new sale and should be treated as one.
- During the call, the mirrored information was standard sections of cover that cannot be removed, and they confirmed them to C. It also offered sections of cover to C that were optional, as this was a brand-new quote.
- '*Business Interruption*' is the most used title for this cover and C said '*no*' when asked if it wished to be insured for it. At the end of the call, it went through all of the cover included.
- C said it would never have declined business interruption cover but the call recording demonstrates this was not the case.
- C knew what this was because they referred to business interruption when calling to complain.
- As the complaint has progressed, stances have changed to look for a way to change the decision in favour of C, rather than take an independent view based on the facts of the case.
- The Investigator has suggested that C didn't understand the term '*business interruption*'. It doesn't accept this. C understood the term and it was used through the complaint.
- The documents sent to C about the cover after the call could not have been clearer. It states "*Covers not included in your policy Business interruption*" and "*Would you like business interruption cover? No*". This information is in bold, red text.

As the Investigator was unable to resolve the complaint it has been passed 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.

Having done so, I agree with the Investigator that the complaint should be upheld, for the same reasons. Although I have reached a slightly different conclusion about the recommended outcome, which I will explain below.

UKI says this was a new policy and so should be treated as a stand-alone new insurance sale. Whether it is a new sale or a renewal, UKI is subject to Financial Conduct Authority ("FCA") rules.

The rules require UKI to give C appropriate information about a policy "*in good time and in a comprehensible form*" so that it can make an informed decision about the arrangements proposed.

I think there are two FCA Principles for Businesses of particular relevance:

"A firm must conduct its business with due skill, care and diligence"

And,

"A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading".

While UKI says this was a new sale, I do not think it is reasonable to treat it in isolation of any previous dealings. I think it is relevant that C held the same policy with UKI for several

years before this. C was content to renew the existing policy but a change on UKI's part meant that a new quote was needed. I think therefore that UKI had knowledge of C which was relevant to its information needs and which influenced what information it was reasonably required to communicate to C during that call.

I have listened to the sales call. The relevant section is set out below:

UKI: The optional cover – so I'm just going to check what you've had before. At this point we'll look to mirror it...

So we had the contents, public liability and employers' liability. And then other optional covers which you didn't have – I'll just run through them. Would you like cover for business interruption?

C: No.

UKI: Would you like cover for... okay you had theft of takings as well, so I'll just add that back. And would like to include legal expenses cover which can cover up to £250,000 per claim?

C: No.

UKI: No legal expenses, okay. Would you like to include cyber risk? Cyber cover?

C: No...

UKI clearly said it would mirror the existing policy. It did not say that it would automatically mirror the sections of cover that came as standard with the new policy but would need to ask about some other sections of cover that C had on its existing policy but which were optional add-ons on the new policy. As set out above, UKI clearly stated that it would run through the "optional covers which you didn't have" and the first of these was business interruption cover. So UKI stated that C did not previously have business interruption cover.

The second section of cover UKI asked about was 'theft of takings' but instead of asking C if it wanted that, UKI said it had had that previously, so it'd add it back in automatically. It did not do the same with the business interruption cover.

The Investigator thought this might be because the call-handler didn't realise C had had business interruption cover previously because in the previous policy it was called "loss of income". I think this is a feasible explanation. In any case, whatever the reason, there was a miscommunication on UKI's part about the cover C had previously, which meant the information provided to C in that call was not as clear, fair and not misleading as it should have been.

I also think it feasible that the different name for that cover would have been misleading for C. I am not persuaded that this is changing the stance to fit the complaint. I note it has been referred to as business interruption throughout but I do not think this means C must have clearly understood it was choosing to give up an important section of cover it had held for 13 years during the call in 2024.

I do not think it was unreasonable that C thought all sections of cover it had would be in the new policy because that is what it was clearly told during that call. And again, while this was new policy, it was as far as C was concerned a renewal of the same cover.

While C also had a responsibility to check the paperwork, and I make no finding about the

clarity of the documents, I do not think it is fair to shift the responsibility onto C to discover that the policy did not in fact mirror its previous cover, when it had been told expressly that it would mirror it during the call.

I think in the particular circumstances of this case, UKI had a greater duty in this situation. It was required to provide clear information during that call, which I do not think it did. It seems to me that UKI should have told C that it had '*loss of income*' cover previously, which is called '*business interruption*' in the new policy and it would add it in automatically as it did with the theft of takings cover; or it should have explained that and thereby have given C all the necessary information for it to have made an informed choice whether to take it in the new policy or not.

Having considered everything while I acknowledge C did technically decline the business interruption cover, this seems to me to have been because the way this question was put in the overall context of the call.

I think it either should have been added into the new policy automatically, or explained more clearly. If it had been explained more clearly, there is no reason to think C would not have opted to take the business interruption cover.

Given this, C has suffered a loss as a result of this error as it has not been able to claim for its losses as a result of being closed following the fire. I therefore consider it is appropriate for UKI to consider the claim for business interruption on the basis the policy did include this cover from May 2024. UKI can deduct an amount for the additional premium (if there would have been one) that would have been applied if the business interruption cover had been in place from any settlement that results from this consideration.

I cannot make an award for interest to be added to any settlement that results from this, as it has not yet been quantified. However, if there is a settlement paid as a result of considering the business interruption claim, I would invite UKI to consider whether interest should be added to reflect the delay in settlement.

Finally, I can only consider and make an award that recognises the impact of any wrongdoing by a financial business on an eligible complainant. In this instance, the eligible complainant is a limited company, rather than any individual. A limited company cannot suffer distress or frustration. I can however, consider any inconvenience caused to C. Having considered everything, I think UKI should also pay the sum of £200 compensation for the inconvenience caused to C by this matter.

My final decision

I uphold this complaint against U K Insurance Limited trading as Direct Line and require it to do the following:

1. consider C's claim for business interruption as a result of the fire, in accordance with the terms that would have been in place had this cover been added in 2024.
2. If this results in a settlement being made to C, UKI can deduct an amount for the additional premium (if there would have been one) that would have been applied if the business interruption cover had been in place since May 2024.
3. Pay C the sum of £200 compensation for the inconvenience caused by this matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 29 August 2025.

Harriet McCarthy
Ombudsman