

The complaint

L, a company, represented by its director, in turn represented by a claims management company, “K”, has complained about Society of Lloyd’s (SOL). SOL provides the insurance for L’s property. When L made a fire claim, SOL said L was underinsured and paid only a partial settlement for the damage and rent lost. L wants a full settlement.

What happened

There was a fire at L’s property in April 2023. A claim was made to SOL and K was appointed by L. SOL believed the property was underinsured. It said the reinstatement value – or buildings declared value (BDV) – given on the policy schedule was £512,000 but should have been £706,000. It said that would mean L was only entitled to a proportional settlement, based on the percentage the BDV given in comparison to the BDV which should’ve been provided.

L wasn’t happy with that. SOL had paid £25,424.81. That was based on L’s total claim sum of £27,732 – which, apart from in respect of the underinsurance, SOL did not dispute. L didn’t think SOL’s BDV had been reasonably evidenced. L said SOL should pay the shortfall of £2,307.19.

Upon review SOL realised that when calculating the sum of £25,424.81 it had inadvertently used the sum insured not the BDV. Supplanting the sum insured for the BDV would give a settlement figure of £20,111.59. But it also thought it should have looked at what difference in premium the increased BDV would have caused – and compare that to what was actually paid, rather than comparing the BDVs. When it ran that calculation SOL determined that it should have paid L £20,133.43. Noting what had actually been paid, SOL said it thought the claim had been settled fairly and reasonably, adding that it wouldn’t seek to recoup the overpayment (of circa £5,000).

L complained to the Financial Ombudsman Service. Our Investigator, noting relevant legislation and going onto consider the terms of the policy, felt SOL had acted fairly and reasonably. So he wasn’t minded to make it pay anything more.

L asked for an Ombudsman’s decision and the complaint was referred to me. I felt SOL had not acted fairly and reasonably. As such I felt it should be paying L the outstanding sum of £2,307.19, plus interest. I issued a provisional decision to explain my views. My provisional findings were:

“I’m going to keep my findings brief. I trust both parties will understand and accept that what I say below gets straight to heart of the matter.

I will note first though that SOL, upon review, did acknowledge that in an instance of (established) underinsurance, it is the premium paid against the sum which should have been paid, which it is most important to take account of. That is the approach applied by this Service. The problem for SOL here is that before such a methodology can fairly be applied, it must first be shown that a breach of fair presentation likely occurred.

The parties are aware of the relevant legislation – the Insurance Act 2015. They're aware that, in line with the Act, L had to provide a fair presentation to SOL when applying for the insurance.

To provide a fair presentation L should have told SOL everything it knew or ought to have known. In respect of "ought to have known", the Act says the policyholder "ought to know" what should reasonably have been revealed by a reasonable search of information available to them. So the policyholder should take reasonable steps to check any information available to them and consider if there's anything they ought to disclose.

L had a mortgage valuation available to it. L checked that valuation and saw it contained an "insurance reinstatement value". The valuation was dated February 2022, it was less than five months later when the policy was arranged. L added around £30,000 to the value in the mortgage document and that sum, £512,000, became the policy's BDV. That seems reasonable to me and seems to comply with a "fair presentation" as required by the Act.

Now I know that SOL thinks the mortgage valuation is flawed. That it may not take account of the correct area of land the property sits on, that perhaps the rates used by the author are not correct given the property type. But, whether or not SOL is correct in that respect, I've not seen anything which makes me think L was aware or ought reasonably to have been aware of any likely flaws in the mortgage valuation document. And I say that even only having viewed the redacted document SOL has seen (SOL wants to see an unredacted version but L has not consented to us sharing that, as such, and whilst our file contains a copy, I've not read it).

The mortgage valuation correctly notes the property type, details the area of the property (which doesn't seem unreasonably/obviously small) and says it was completed by a suitably qualified surveyor. I wouldn't have expected L to have questioned it and can't fault L for relying on it.

I'm currently satisfied that L made a fair presentation to SOL. So SOL can't fairly and reasonably partially settle the claim. As such I'm minded to require SOL to pay L £2,307.19, plus interest applied from the date of SOL's partial settlement until this shortfall sum is paid.*

I'm not going to award compensation. L had the repairs done and I've not seen anything to make me think this relatively small shortfall in the settlement has inconvenienced L."

L said it accepted my provisional decision. SOL said it disagreed with it.

SOL said:

- The Investigator language – "it looks like" – was not appropriate to use when talking about the crux of a complaint.
- It had made a fair offer in its final response letter to appoint an independent surveyor to assess the BDV which L had not taken it up on. This was acknowledged by our Investigator.
- There is a policy condition which allows it to waive the application of an average settlement. But L had not complied with this (with evidence in this respect provided by its managing agent).
- L should be considered as sophisticated and knowing about the importance of insuring properties for the correct value.
- It used industry certified surveyors to complete its value – whereas the company and individual behind the mortgage valuation report aren't registered as industry certified surveyors. So its valuation is more likely to be reliable, than that given in the mortgage valuation.
- It disagreed the mortgage valuation evidenced L had made a fair presentation.

- The valuation shouldn't be accepted as evidence as, in its redacted form, SOL cannot check the qualifications of the report's author.
- The whole report is unreliable in its partially redacted form, many sections may relate to or be relevant in respect of the reinstatement value and some areas need to be read alongside redacted explanatory notes. Even sections such as "Statement of Competence" are redacted which arguably L must have referenced in order to reasonably decide if they could rely on the report.
- Further, a term within the report means that L, nor any third-party, such as this Service, can rely on the report without the author's express consent, which hasn't been given.
- The figures in the provisional decision don't make sense – the valuation was £463,00, adding £30,000 to that would not generate a BDV of £512,000, so it seems the report was not used by L when declaring the property's value.
- There's no reasoning of the adjustment L made, of £49,000, to reach a value of £512,000.
- Overall there is no evidence to support that L complied with the requirement to provide a fair presentation.

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 note SOL's comprehensive replies. I've summarised them above. In line with the informal nature of our Service, whilst I've considered, understood and taken into account everything said, I'll respond briefly below on the points I find key to my findings.

I note SOL's comments regarding our Investigator's findings. My review and decision are separate to and supersede our Investigator's findings.

L is a commercial customer. Accordingly, I have applied the Insurance Act 2015. L would need to give a fair presentation to SOL as to the value of the property. I've explained why I think a fair presentation was made.

The report was redacted – I've considered everything SOL has said in this respect but I'm not persuaded the redacted parts would likely and reasonably bring into question the small part of the report which focuses on the insurance reinstatement value. And I'm mindful that SOL's managing agents did have detail of the author of the report.

The managing agents found the author and company behind the report weren't industry certified surveyors. L though received this report as part of a mortgage valuation. Nothing I've seen makes me think L should have had good cause to doubt the validity of that report, – including the competence of who it was completed by – such that it reasonably needed to investigate its author/the providing company.

The report does contain a term restricting who can rely upon it. But it does say it is provided for L's information. I've then merely assessed whether L made a reasonable assessment of that information which was made available to it.

I appreciate that £512,000 less £463,000 does not equal £30,000. But I said provisionally that *around* £30,000 was added to the mortgage valuation. I was not suggesting that exact figure was used. I remain of the view that adding a sum to the mortgage valuation resulting in the BDV of £512,000, seems like a reasonable thing to do.

L had a mortgage valuation, provided for its information. There was information in that report as to the reinstatement value for the property. The BDV given on the policy was an increased sum from that given in the mortgage valuation. I remain of the view that L did not breach the duty of fair presentation.

My final decision

I uphold this complaint. I require Society of Lloyd's to pay L £2,307.19, plus interest*.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require SOL to take off tax from this interest. If asked, it must give L a certificate showing how much tax it's taken off.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 22 August 2025.

Fiona Robinson
Ombudsman