

## **The complaint**

R – a residents’ management company for a property development – has complained that Hine Insurance Brokers Limited (Hine) failed to meet its obligations when brokering the multi-occupancy buildings insurance policy for the development between 2021 and 2024.

## **What happened**

Hine has brokered the buildings insurance for this development for many years. For the period, which is the subject of the complaint, a different business – T – (a property management company working on behalf of R) liaised with Hine.

In 2024, T stopped representing R. Around this time, R sought to obtain its own quotes for insurance and was able to find significantly cheaper quotes than the cover brokered by Hine. R also requested information from Hine on the level of commission it received from their insurer. R subsequently complained about the level of commission Hine had charged for its services, which was confirmed as 22.5% gross, and about the cost difference of the policy Hine recommended in comparison to the quotes it had since obtained.

Hine explained that the sum insured for the development increased significantly in 2021, which resulted in the underwriter for the policy increasing its premiums substantially, and all other insurers it approached declined cover. Hine says it conducted a fair analysis of the market in each of the relevant years, and that it made it clear it was paid on a commission basis within its terms of business. Hine said the level of commission didn’t impact the premium as this was paid back to Hine by the insurer, rather than being added to the base premium as an additional amount.

Unhappy with Hine’s response, R approached the Financial Ombudsman Service.

An investigator looked into things but didn’t think the complaint should be upheld. She said Hine had evidenced that it met its obligations under the industry rules which applied at the time, by conducting a search of the market and notifying T that it was paid on a commission basis. She said there was no evidence T, or R, requested information as to the level of commission until 2024 – at which point it was provided promptly.

R didn’t accept the investigator’s assessment. So, as no agreement has been reached, the complaint has been passed 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.

Having done so, while I appreciate it will come as a disappointment to R, I’m minded to reach the same outcome as the investigator. I’ll explain why, addressing what I consider to be the issues that are key to ensuring a fair and reasonable outcome to this complaint. This isn’t meant as a discourtesy to the parties, it merely reflects the informal nature of the Financial Ombudsman Service, and my role within it.

In response to the investigator's assessment of its complaint, R submitted a substantial supplementary report detailing all failings it believes Hine and the insurer have made dating back to 2014. I've carefully considered the parts of this report which are relevant to this complaint. But I think it's helpful to set out those aspects I consider are not relevant.

The scope of the complaint I'm considering here is determined by the complaint which was made to, and responded to by Hine, in its final response letter September 2024.

This complaint concerns the level of commission charged between 2021 and 2024 – i.e., for the 2021, 2022 and 2023 policy years. I am not considering anything which predates this, nor anything which would be the responsibility of the insurer. I understand a separate complaint has now been raised with the insurer regarding the fairness of the premiums charged.

#### Hine's obligations during this period

The industry regulator, the Financial Conduct Authority (FCA), introduced new rules relevant to the multi-occupancy buildings insurance market in December 2023. But these rules aren't retrospective, and so I'm not able to consider the obligations imposed by those rules when considering the years relevant to this complaint.

The relevant rules for broker commission, which applied at the time of the renewals I'm considering, were set out in the Insurance: Code of Business Sourcebook (ICOBS). I've summarised the requirements below:

*ICOBS 4.3 Remuneration disclosure – an insurance intermediary must disclose the nature of the remuneration it receives for a contract of insurance. I.e., commission, fee, charge or other form of remuneration.*

*ICOBS 4.4 Commission disclosure for commercial customers – an insurance intermediary must promptly disclose the commission that it and its associates receive in connection with a policy upon request.*

The ICOBS rules also set out obligations owed by Hine when recommending a policy. The most relevant to this complaint are summarised below:

*ICOBS 5.3.1 sets out that a firm must take reasonable care to ensure the suitability of its advice.*

*ICOBS 5.3.3 explains that where a broker provides advice on a 'fair analysis of the market' basis, it must analyse a sufficiently large number of insurance contracts available in the market.*

R has also highlighted obligations owed by Hine under the FCA's Principles of Business (PRIN) in particular:

*Principle 6. Customers interests*

*Principle 8. Conflicts of interest*

*Principle 9. Customers: relationships of trust*

I've carefully considered all the above when coming to my findings on R's complaint, even where I haven't specifically referred to the rule or principle in question.

### Did Hine meet its obligations

I've first considered whether Hine met its obligations under ICOBS in relation to disclosure of the nature and amount of its remuneration.

Hine's terms of business clearly set out that remuneration it would receive was commission from the insurer:

*"For this policy, the nature and basis of remuneration we receive is:*

*When we sell you the policy the insurer pays us a percentage commission from the total premium. You are entitled at any time to request information regarding any remuneration which we may receive."*

I'm satisfied this met the requirements Hine owed to R under ICOBS 4.3. The disclosure also made it clear R could request additional information about the remuneration at any time. I can't see that R made such a request until July 2024, at which time Hine provided the information promptly – in line with its obligations under ICOBS 4.4.

I also note that the terms of business clearly set out that at various times, Hine would be acting as an agent of either R, the insurer or both – so any potential conflict of interest was declared.

I've next considered whether the amount of commission Hine received for the work it completed in placing R's policy was fundamentally unfair.

R has highlighted that in 2023, Hine received commission of 22.5% of the policy premium. It says this is significantly in excess of the FCA's benchmarks for equivalent blocks. I've considered the evidence R has provided around this point. But I must also stress that under the rules, there is no specific level of commission which is deemed to be fair or unfair.

I also note that 22.5% falls significantly below commission levels highlighted from the FCA's multi-occupancy buildings insurance – broker remuneration publication from April 2023. This review highlighted at least 30% commission in 58% of observations, and over 40% in 29% of observations. I also note from the initial review quoted in this publication, that the mean percentage of commission as a proportion of gross written premium was recorded as 21.5% in 2021 and 22.3% in 2022.

The above is not to say that I consider these findings to be wholly representative of the full market, or those levels of commission to be inherently fair or appropriate. I'm making no finding against any business or commission other than Hine's in this specific case. I'm merely highlighting that 22.5% in the context of the specific market in question, at the specific time, does not appear to be specifically or unusually high, based on the information highlighted.

It's also worth highlighting that benchmarking of average premiums or commission levels doesn't take into account the specific risk profile of the building or development in question. And in this case, I understand the development is in a high flood risk area, which will no doubt increase the perceived risk and, by extension, the work required by Hine to analyse the market and source a suitable policy. And likewise, I've seen that the sum insured was significantly increased in 2021 – further adding to the risk and work required to place cover for it.

Hine's terms of business set out that it recommended the policies it did to R based on a fair analysis of the market. So, I've considered whether it sought quotes from a sufficiently large portion of the market – as required under the rules.

Hine has demonstrated that it undertook significant work in approaching a large proportion of the insurers active in the multi-occupancy buildings insurance market. It has provided the responses received from the 13 insurers it approached in 2021, the 15 approached in 2022 and the 8 approached in 2023. I can see in each year Hine approached some of the largest and most well-established insurers active in the market and that on each occasion, most insurers it approached declined to provide a quote. This was for a combination of the following reasons:

- Building sum insured too high/outside risk appetite
- Property in the highest rated flood risk area – meaning no flood cover could be offered.
- Flood risk outside risk appetite
- Number of individual flats too high
- No response

I've asked Hine to explain why it checked a smaller number of insurers in 2023. It has explained it knew from previous years which insurers could automatically decline due to the size/value of the property. It said the insurers it approached in 2023 were the largest, and those deemed most likely to have capacity, appetite or changed underwriting stance since the earlier renewals. I'm satisfied with this explanation. And I'm satisfied from the information provided that Hine carried out a fair analysis of the market before recommending the policies it did.

I've seen from the information provided that, across each of the three renewals I'm considering, the insurer recommended by Hine was the only one to offer cover that met R's needs. This was the same insurer that had underwritten the development for many years. Given Hine recommended the only suitable policy it could, I'm unable to reasonably conclude that it recommended the policy based on the level of commission it would receive or because of any conflict of interest. I'm also satisfied it made a suitable recommendation of a policy which would meet R's needs and provide fair value – the latter part being in the context of the available quotes it was able to obtain, as it was the only available quote which met R's needs, including flood cover in a high-risk flood area.

I fully appreciate R has since been able to source a significantly cheaper policy, through an alternative broker who has charged a lower commission. But Hine has explained that it approached that same broker in both 2021 and 2023 and the quote was declined. Hine says R has been able to secure cover direct through a closed scheme offered by this broker which wasn't available to Hine. And that outside of that particular closed scheme, that broker is unable to place policies for high-flood risk properties. I'm satisfied from what I've seen that Hine did approach that broker and that the risk was declined.

I appreciate R's reference to Principle 6 and the customer's best interests. But I don't consider this, or any other rule or regulation applicable at the time, meant there was an obligation for Hine to suggest R should look elsewhere for cover during the renewals I've considered. Instead, to act in the best interests of its client, I think Hine was required to provide a tailored recommendation of a suitable policy having conducted a fair analysis of a suitably large number of contracts within the target market. And based on everything I've seen, I'm satisfied it did that, and that it recommended the only suitable policy it was able to secure for R, given the risk of the property. I don't think it would be reasonable to expect that Hine should have recommended, or even been aware of, other deals available from other insurers or brokers. Particularly as it had sought quotes from a large portion of the market, including a number of the largest and most highly established insurers.

I also note that Hine was clear with R, during the renewals, that most of the insurers it approached declined cover and that the insurer it recommended offered suitable cover at the most competitive price. Hine also documented the insurers it approached and the reasons they declined cover – which is what I would expect it to have done in these circumstances. I appreciate R relied on the recommendation it was given, as it was entitled to. But given Hine was clear about the circumstances of that recommendation, I think it met its requirements to provide appropriate information for R to make an informed choice as to whether the recommended policy was suitable. R knew the insurer it recommended was the best one Hine could secure for it, and so was free to explore elsewhere rather than accepting the policy it did, if it wanted to.

Additionally, based on what I've seen about the average broker commissions being charged in the market at this point in time, and the level of work undertaken at each renewal by Hine – which was a fair and substantial analysis of the market for each renewal – I don't think 22.5% was out of kilter with the market or that it was fundamentally unfair, despite R's point that lower commissions were available elsewhere in the market. In fact, I note that following FCA reforms to the market since the period I'm considering, a number of insurers have since adopted a maximum commission cap of 30% – as part of their fair value approach. And while not relevant, as it came later, it's worth noting that 22.5% falls significantly below this level.

I can fully appreciate the reason for R's dissatisfaction as it has paid high premiums during the period I've considered and, by extension of that premium, the insurer paid Hine significant levels of it as commission. But in reaching my decision I've considered the actions of Hine and whether they were in line with the relevant regulatory requirements at the time. For the reasons set out above, I think they were. So, I don't think Hine acted unfairly and I therefore do not uphold R's complaint.

### **My final decision**

For the reasons I've explained above, I don't uphold R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 6 March 2026.

Adam Golding  
**Ombudsman**