

The complaint

Miss S complains about the way she was sold her property insurance policy by Atlanta Insurance Intermediaries Limited.

What happened

The background to this complaint is well known to both parties, so I'll provide only a brief summary here.

Miss S bought her current property in 2022. And she took out a home insurance policy through Atlanta to cover her home and its contents, amongst other things.

She made a claim in January 2025 after a named storm caused damage to her property.

After validating the claim, Miss S's underwriters told her she was underinsured. They said the rebuild cost of her property was £1.8m, but her sum insured was only £1m. On that basis, they proposed to settle her claim at 55% of the cost of the necessary repairs.

Miss S then made a complaint to Atlanta. She said they were in effect responsible for her being underinsured because of the way the policy was sold to her at renewal in March 2024. Before then, she'd had an unlimited sum insured on her policies.

Atlanta accepted that the call in which Miss S bought the policy in March 2024 wasn't handled well by their agent.

They said they'd cover 22.7% of the claim cost (just over half of the shortfall) because their agent, in essence, hadn't advised Miss S properly or fully when she (Miss S) agreed to a sum insured of £1m. And they offered Miss S £1,000 in addition in compensation for her trouble and upset.

However, they said the call recording showed that Miss S would have otherwise gone for a rebuild cost - and sum insured - of £1.4m, which was still shy of the £1.8m genuine rebuild cost established by the underwriter. And so, they wouldn't cover all the shortfall in the claim settlement.

Miss S wasn't happy with this response and brought her complaint to us. Our investigator looked into it and agreed with Miss S that Atlanta hadn't acted fairly.

She said the £1,000 compensation offered by Atlanta was fair and reasonable, but they should make up all the shortfall in the claim settlement. She wasn't convinced by Atlanta's argument that Miss S would have taken a policy with a £1.4m sum insured *if* Atlanta's agent hadn't made the errors they did.

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.

There's no dispute in this case that Miss S was underinsured. And both parties have taken it as a given that the underwriter is entitled to reduce the settlement amount proportionally, in line with the degree of that underinsurance.

That of course, leaves Miss S with a significant shortfall in terms of the cost of the necessary repairs. And the key question for me is whether she's in that position because of errors on Atlanta's part or through her own failings – or indeed, a combination of the two.

In the run-in to the policy renewal date, in March 2024, Atlanta sent communications to Miss S asking her to contact them to discuss the sum insured on her policy. I think it's fair to say that up to that point, Miss S would have been under the impression that the policy would simply renew, with the pre-existing unlimited sum insured (rebuild cost) for buildings cover.

Miss S called Atlanta in early March 2024, as per their request. It's in that call that Miss S is sold a policy (with a new underwriter) for the coming year (March 2024 to March 2025) which has a sum insured (rebuild cost) of £1m.

So, the answers to my key question (as set out above) are in that phone call. In short, when Miss S emerges from that call with a policy with an inadequate sum insured of £1m, is that essentially her fault, or primarily the fault of Atlanta (the broker)?

I've listened to that call very carefully – and replayed the significant parts of it several times. There's no doubt that Miss S, by the end of the very long call, knowingly agrees to take a policy with a £1m sum insured for buildings cover.

It's also clear that by that time in the call, Miss S is exasperated, frustrated and very keen to finish the call as soon as possible. That's understandable given her circumstances at the time – she tells the agent that she has several matters to sort out before undergoing major surgery within the next few days.

Miss S's exasperation is also understandable because the call is, over much of its length, extraordinarily dysfunctional. And that's the fault of the agent, not Miss S. I'll explain my thinking on that point.

At the start of the call, Miss S explains very clearly why she took unlimited cover in the first place. It seems Atlanta were now only able to arrange policies with "unlimited cover" up to £2m – which I believe may have been explained to Miss S previously.

But Miss S is clear that she's keen on that upper limit (£2m) because she doesn't really have a clear idea of the rebuild cost of her property and wishes to err on the side of caution. She's happy to potentially over-insure (at a higher premium) rather than risk any underinsurance.

I note that a £2m sum insured (rebuild cost) would have been more than adequate, given the underwriter's assessment of the true rebuild cost at £1.8m.

It becomes clear at this point in the call that Atlanta have changed their panel of underwriters – whether that was their own strategic choice or not is unimportant in terms of this case. So, in effect, the agent is attempting to find a (new) underwriter to provide a policy that meets Miss S's needs.

It also becomes clear that Atlanta aren't going to be able to find a policy with unlimited buildings cover. Their agent tells Miss S they won't be able to provide a policy because of the rebuild costs.

She starts out by telling Miss S her rebuild costs previously were £140m, then suggests £140, and then £140,000 before she finally gets to a figure of £1.4m.

Although the £1.4m is clearly the best fit of those options – which leads Miss S to agree it - it's not entirely clear to me where that £1.4m came from.

It's not on any of the previous policy documents. Miss S previously had unlimited buildings cover. And her statement of fact the previous year made no mention at all of a rebuild cost – much less a rebuild cost of specifically £1.4m.

My assumption is that the £1.4m may be an estimate figure Miss S entered on a comparison website when she first bought the policy back in 2022. And that Atlanta retained that record, but didn't at any point re-state it in any communication with Miss S. It's possible Atlanta

asked for a rebuild cost estimate later, but that doesn't matter in terms of my decision in this case.

Of course, the significant point is that, as far as Miss S was concerned, any estimate she might have input when searching for a policy in 2022 (or declared later) became irrelevant – with no need to check it later and amend the policy if necessary – because she had unlimited cover (or cover up to £2m).

It's worth saying that Miss S asks the agent several times – very insistently at one point, because she was getting no sensible answer – what the previous rebuild cost actually was. The best the agent does in answer to those questions – having several times attempted to side-step them – is to say that it's the same as last year, £1.4m. Whereas, as I've said, there was no rebuild cost "last year" of £1.4m that Miss S was made aware of.

So, in my view, by this point, we are already in a state of some confusion. Miss S is clearly by this time desperate to cling to anything the agent says that sounds even remotely sensible and/or likely to lead to her coming out of the call with her rather urgently required home insurance policy for the coming year.

Having arrived at the £1.4m figure, things then take an even worse turn. The agent clearly can't find an underwriter from the new panel willing to take on the risk for Miss S, given the £1.4m rebuild cost. The agent says, at this point:

"We are going to have to decrease the re-build cost because we're unable to get you a quote."

She then asks by how much Miss S wants to reduce the rebuild cost and suggests a reduction to £1m.

Miss S had already told the agent she wanted to go with an estimate of the rebuild cost at the higher end of the sensible range, so as to avoid any prospect of underinsurance. She'd also already told her about the difficulty in estimating the rebuild cost for an old, stone-built property with several separate buildings.

So, it's at the very least entirely inappropriate for the agent to tell Miss S to reduce the rebuild cost, in order to get a policy – and to suggest a reduction to £1m.

Miss S in fact immediately responds to that suggestion by saying she's "*not comfortable*" with the suggestion that she simply reduce the rebuild cost to enable the agent to find a policy.

Miss S also tells the agent, at this point, that she (Miss S) isn't the best person to guess the rebuild cost. She says she doesn't know "*how these things work*". And she says she needs to take more advice – and potentially speak to an alternative insurer.

It's when the agent reminds Miss S that the current policy expires soon that Miss S says she'll have to take the policy being offered, because she has no more time to deal with things before her operation.

To confuse things even further, the agent, in summarising the offer before payment is taken, says, "*so, the level of cover has not changed*".

To be fair to Atlanta, they've very openly admitted that the call wasn't handled to the standards they'd expect or that Miss S deserved. And that's why they've agreed to make up some of the shortfall in the claim settlement.

However, as I've said above, they think that fundamentally, the agent wasn't responsible for the call coming to a point at which both the agent and Miss S appear to agree that a £1.4m sum insured would be adequate.

They accept that taking the sum insured down below that – to the £1m figure – was primarily their agent's responsibility. But, for Atlanta, Miss S clearly agreed earlier in the call to the

£1.4m sum insured, without being significantly misled or mis-advised by the agent. And so, they've agreed only to cover just over half of the shortfall.

In essence, the argument is that the call shows Miss S estimating her rebuild cost at £1.4m. And if the call had gone as it should have – with the conclusion that Atlanta couldn't find a suitable policy for Miss S – she would have gone off to find insurance elsewhere based on a rebuild cost of £1.4m. And that would still have left her underinsured (though to a lesser extent) when she made the claim in January 2025.

On balance, I don't agree with Atlanta about that – and I'll explain why.

Miss S clearly starts the call saying that she is very keen on an unlimited sum insured, or at the very least the £2m limit. She repeats that several times through the call and explains her reasoning very clearly.

The £1.4m figure comes out of the blue in the call. Miss S clearly has no idea where it came from. The agent fails to explain several times, when asked directly, what the rebuild cost on the previous policy was.

Miss S also agrees with the £1.4m figure in the context of the agent suggesting, in rapid succession, £140m, £140 and £140,000, before arriving at £1.4m. The agent put the £1.4m figure into the conversation, not Miss S – and it was self-evidently the only credible figure of the four the agent suggested.

So, on balance, I don't think that if Miss S had failed to obtain a policy through Atlanta (as should have been the case), she would have then gone to another broker or insurer and asked for a policy with a £1.4m sum insured.

I think she would most likely have said to any other broker or insurer what she said to Atlanta's agent – that she had no real idea what the rebuild cost was, that there had been no survey prior to purchase, that the buildings were old and stone-built (so costly to replace), that she was keen to over-egg the estimate rather than risk underinsurance, and that her preference would be for unlimited cover (or failing that, cover up to £2m).

And if Miss S had provided that information to another broker or insurer, they (if they were acting responsibly, fairly and reasonably) would have advised Miss S to either buy a policy with unlimited cover (or at the very least, a safely over-estimated rebuild cost), or get the rebuild costs properly assessed by a suitably qualified professional.

And if that had happened, then Miss S would not have found herself underinsured when she made the claim in January 2025.

Putting things right

It follows that I agree with our investigator about the correct outcome in this case.

I'm satisfied Miss S has lost out financially as a result of Atlanta's errors or omissions. And so, I'm going to require Atlanta to cover Miss S's consequential losses by paying her an amount equal to the total shortfall in the claim settlement.

But for Atlanta's errors in the handling of the call in question, as a result of which they sold Miss S an inadequate policy, I'm satisfied on balance that Miss S would likely have been fully insured in January 2025.

If Miss S has paid out already for any part of the repair work, Atlanta should add interest at 8% simple per annum to the sum (or sums) she has already paid out – calculated from the date Miss S made the payment to the date Atlanta pay her.

I also agree with our investigator that the £1,000 offered by Atlanta in compensation for Miss S's trouble and upset is fair and reasonable. Atlanta will need to pay that compensation now if they haven't already done so.

Miss S has suffered substantial distress and inconvenience as a result of Atlanta's errors or omissions.

She's had the worry of not knowing whether her claim would be covered in full. And she's experienced delays in the claim being settled, at least in part because of the underinsurance issue. That's inconvenient in itself - but it's also added to the period of time during which Miss S has been worried and frustrated about the likely outcome of her claim.

So, taking all of the circumstances into account, an award of £1,000 in compensation is reasonable and sufficient.

My final decision

For the reasons set out above, I uphold Miss S's complaint.

Atlanta Insurance Intermediaries Limited must:

- pay to Miss S a sum equal to the shortfall in the settlement of her claim due to underinsurance;
- add interest* at 8% simple per annum to any part of that payment in respect of which Miss S has already paid out repair costs (as set out above);
- pay Miss S £1,000 in compensation for her trouble and upset.

*If Atlanta Insurance Intermediaries Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss S how much it's taken off. It should also give Miss S a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

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

Neil Marshall
Ombudsman