

complaint

Mr and Mrs T are unhappy that Legal & General Insurance Limited (L&G) have cancelled their property insurance.

background

I wrote a provisional decision on this case in February 2016. I've attached a copy which forms part of my final decision.

Mr and Mrs T accept my provisional decision. But L&G doesn't. It says:

- its followed its standard practice and terms and conditions when it decided to cancel the policy
- it doesn't think it's in dispute that its policy terms and conditions are unclear
- Mr and Mrs T didn't ask it to cancel the policy – and they wanted L&G to continue it. So to say otherwise is contradictory.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I didn't say in my provisional decision that L&G's decision was fair or in line with the policy terms and conditions. I said that I thought it had mis-understood what Mr and Mrs T were doing as part of the house renovation works.

But the point of my provisional decision was that L&G hadn't appreciated the impact its decision to cancel the policy would have on Mr and Mrs T.

L&G needs to be pragmatic. This is a real world problem for Mr and Mrs T. So whilst what I proposed might have contradicted what Mr and Mrs T initially wanted, it resolved the problem in a fair way. And I think it's fair not just to Mr and Mrs T and L&G, but also to the insurance industry.

Sometimes standard process doesn't work. This case is such an example. I think making Mr and Mrs T say that they'd had a policy cancelled is unfair. So L&G has not persuaded me that my approach is unreasonable.

my final decision

For the reasons I've explained I uphold this complaint. Legal and General Insurance Limited must:

- remove all references to the cancelled policy from all internal databases and, if relevant any external databases
- write to Mr and Mrs T saying it now no longer considers the policy to have been cancelled by L&G

- pay Mr and Mrs T £100 compensation if they haven't already cashed the cheque

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs T to accept or reject my decision before 11 April 2016.

Michael McMahon
ombudsman

copy of provisional decision

complaint

Mr and Mrs T are unhappy that Legal and General Insurance Limited (L&G) have cancelled their property insurance.

background

Mr and Mrs T were having some work done to their home. They told L&G about it who said that they should keep it informed about what they were doing.

Once the work had started, L&G decided that it didn't want to insure Mr and Mrs T anymore. It felt that the work being undertaken had increased the risk it was being asked to insure too much. So it cancelled the policy.

Mr and Mrs T say that L&G's decision is unfair. Their concern is that having a cancelled policy on their insurance history will cause them problems in the future – and they may end up paying more for insurance.

Our adjudicator initially upheld the complaint but was persuaded by L&G that it had acted fairly. Mr and Mrs T remain unhappy so the case has been passed to me.

my provisional findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

L&G said that when it became aware that Mr and Mrs T's renovation work was going to take up to two years to finish, it decided that it didn't want to insure them anymore. But I think L&G made a mistake. Mr and Mrs T emailed L&G explaining that it wouldn't take two years to complete – in that there would be work ongoing for two years. They said that the first phase would take up to a year. Then there would be a pause and they would start on the second phase.

While they are entitled to withdraw insurance with appropriate notice, I think L&G's decision was based on it mis-understanding what Mr and Mrs T intended doing.

In any event, the impact of L&G's decision is significant for Mr and Mrs T. They are required to disclose this to insurers in the future and this will act as a warning flag for those insurers.

The danger is that prospective insurers may not assess whether Mr and Mrs T have acted badly – which they haven't. Those insurers might only see that a policy was cancelled.

There's a more pragmatic way to resolve this case. In effect, L&G decided that it could no longer offer insurance to Mr and Mrs T at the terms agreed when the policy started. So Mr and Mrs T had no other choice but to look around for cover. But I don't think this should be classified as a cancelled insurance. Mr and Mrs T took their business elsewhere.

This means that Mr and Mrs T can say in all honestly that they've not had a policy cancelled. And, just as importantly, L&G are not doing a disservice to the insurance industry because I don't think any underwriter would think the reason the insurance didn't run for 12 months was something that would make Mr and Mrs T an increased risk.

This resolves a very real problem I think Mr and Mrs T will face when they take out insurance in the future. The nature of underwriting algorithms will probably just see 'cancelled insurance'. The chances of Mr and Mrs T being able to explain this to an underwriter are, I think, small.

I understand that there are no external databases that record cancelled insurance policies. But L&G should remove any adverse marker it has for Mr and Mrs T internally. And if I'm wrong about external databases – or this is something that the industry decides to record in the future – L&G should make sure it doesn't show on Mr and Mrs T's record.

I also understand that L&G offered Mr and Mrs T £100 for the service it provided which it admits wasn't always very good. I believe that this offer is still open.

my provisional decision

For the reasons I've explained I intend to uphold this complaint. Legal and General Insurance Limited must:

- remove all references to the cancelled policy from all internal databases and, if relevant any external databases
- write to Mr and Mrs T saying they now no longer consider the policy to have been cancelled by L&G
- pay Mr and Mrs T £100 compensation if they haven't already cashed the cheque

Mr and Mrs T and L&G should write to be by 17 March 2016 with anything further they'd like me to consider. After which I'll write my final decision.

Michael McMahon
ombudsman