

complaint

Mrs H complains that Homeserve Membership Limited mis-sold a range of insurance policies to her and she wants a refund of all premiums she has paid.

Mrs H is being represented by her son, Mr L. All references to Mr L include Mrs H.

background

Mrs H bought four insurance policies from Homeserve, all of which Mr L says were mis-sold to her:

March 2009 - Complete cover (later called Cover 8) home emergency policy.

2010 - Householder's Accident Plan. Homeserve has looked into this sale itself and agreed to refund the premiums paid in full.

June 2011 – Legal Protection policy.

Keycare Cover.

Mr L isn't happy with Homeserve's response to the complaint. He has made a number of submissions, including that:

- He thinks that his mother could never have claimed under the Cover 8 policy because it won't replace boilers that are beyond economic repair and instead pays £200 contribution towards a new boiler. Her boiler was more than 15 years old, when she took out the policy and so she could never have successfully claimed: "my mother has been paying premiums totalling £580.08 per year to insure a very old, discontinued boiler that under no circumstances will they repair when it eventually breaks down."
- Almost all the essential components of the boiler are obsolete and unobtainable, the boiler was discontinued in 1990 and the parts have been for a number of years.
- There is no way Homeserve could repair this boiler and it should have to prove beyond any doubt that it could, in the event of a breakdown, carry out a repair by confirming what spares are available to them.
- Homeserve was also charging unreasonably for the Cover 8 policy. The Cover 8 premium in 2009 was £363.99, the renewal premium in 2013 £580.00 - an alarming increase which Homeserve justify on the basis of two call outs but it cannot even prove remedial work had been required or was done.
- The best option would have been to cancel at the end of the term of the policy and then re-insure a short while later but this was never explained to Mrs H by Homeserve.
- After only a very short conversation regarding payment the monthly premium was reduced by 50%. This is still far greater than other service providers and their own website offers.
- On the 2010 and 2011 renewal it clearly states "within the cover limits there is nothing more to pay; no call out fees, no hourly rates and no other costs. A totally mis-leading statement, it does not mention that all future premiums will massively increase if a call out is needed."

- Homeserve was “forceful” in the way it sold the other policies and no attempt was made to determine what was best for Mrs H; even the supposed “follow up call” by Homeserve resulted in a “consolidation” of policies into one more expensive one.
- The recording of the telephone call during which the Family Legal Protection policy was sold demonstrates that the “caller railroads this vulnerable woman through the call. The caller is without pity as she treats the sale of the policy as a fait accompli and gives Mrs H no chance to think or respond to her machine gun presentation”.
- It was obvious the policy was unsuitable for Mrs H: when she told the representative that she lived alone - her comments were dismissed by the representative who changes from emphasising the cover as being a ‘family’ policy to one “apparently aimed solely at Mrs H”.
- It is unfair and misleading to state on the renewal notice that “it is renewed automatically. No action is required on your part...You do not need to reply to this letter.” – this implies that they must continue with the policy, it gives no indication that if unsuitable the policy could be cancelled.
- In later years the renewal documents allow customers a chance to cancel or make changes. On the February 2013 renewal notice Homeserve has added “If you need to make changes or don't wish to renew your cover simply call us”. This option is not given previously.
- He doesn't see how the Legal Protection policy sale was any different from the sale of the Householder Accident plan that Homeserve conceded was mis-sold.
- Homeserve introduced itself as calling on behalf of Mrs H's water supplier when it called to sell her the Legal Protection plan - can Homeserve confirm they are entitled to make this statement?

One of our adjudicators looked into the case. He agreed that the keycare cover was mis-sold, as the Cover 8 policy already held by Mrs H also provided cover for keys and he didn't think she would have taken it out if she had known that. The adjudicator thought that Homeserve should have made Mrs H aware of this and that it should therefore refund those premiums, which it agreed to do.

The adjudicator initially said the cover 8 policy was mis-sold on the basis that Homeserve had not explained the beyond economic repair clause and recommended that it refund part of the premium for that element of cover. However, he changed his mind later as a result of evidence from Homeserve that Mrs H had made successful claims under the Cover 8 policy. The adjudicator didn't think the legal protection policy was mis-sold either. Mr L had provided an insurance schedule which showed that although similar cover was available as an optional extra on his mother's home insurance, she hadn't taken it out.

The adjudicator also didn't think that premium increases had been applied unfairly to Mrs H - and Homeserve was entitled to set the premiums as it wanted.

Mr L has disagreed with the adjudicator's view; he still believes the Cover 8 policy was mis-sold and has concerns relating to the premium increases on this policy.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Those selling insurance have a responsibility to provide clear and fair information about the cover provided, so that consumers can make an informed decision about whether or not to

buy it. If the seller is also recommending the policy to them they also have to take steps to try and ensure it is suitable for them, this would include asking questions about other cover they might have and trying to avoid the consumer paying twice for the same cover.

Mrs H would also have had the chance to read through the various policy documents and raise any queries, which she didn't do until some years after each sale.

The cover 8 policy provides cover for Mrs H's boiler, among a number of other things, including electrical breakdown cover; internal and external plumbing and drainage cover; water supply pipe cover and an annual boiler service. Therefore the fact that she would only have received the sum of £200 towards the cost of a new boiler, if hers was irreparable or uneconomic to repair does not – in my opinion – mean that she was ineligible for any cover under the policy, or that it was fundamentally unsuitable for her.

I have listened to the call during which the Cover 8 policy was sold. It was taken to replace other stand-alone policies. Overall the total premium was a little over the total of the individual premiums Mrs H was previously paying but the representative explained that and that the Cover 8 policy included an annual service (and some other things) which Mrs H didn't receive with the other policies. Mrs H knew the difference in cost and confirmed she wanted the policy.

The representative didn't in my opinion advise Mrs H to take the policy but did give reasonably clear information about the main aspects of cover. She didn't ask about the age of the boiler or talk about the beyond economic repair payment. However this is set out in the policy. I don't think she necessarily had to talk about this verbally in that call. It is a significant clause but is not unusual. Most policies of this sort wouldn't replace a boiler when it is over a certain age.

Also, just because her boiler was old, and some parts might not have been available, doesn't mean that no problems with the boiler could be dealt with under the boiler either. Indeed, I note, to support this argument, that Mrs H did have claims met under this policy in relation to the boiler in November 2010 and February 2012.

Mrs H hasn't said she didn't want home emergency cover and, as stated most similar policies would not pay for a replacement boiler for one the age hers was. Therefore, given that she still apparently wanted this sort of cover; even if this clause was explained I don't think she would have made any other decision other than to still take it. There is therefore no detriment to her by any failure – even if I agreed there was a failure, which I don't – to mention the beyond economic repair benefit. I therefore don't think the Cover 8 policy was mis-sold and I don't consider any refund should be paid.

Mrs H was offered the Legal Protection policy for a trial period. Mrs H was given clear information about the policy and was also asked if she had legal expenses cover elsewhere. The Homeserve representative did speak quickly on the phone but, in my opinion, she wasn't "railroaded" and there was nothing during that call that would indicate that Mrs H didn't understand what she was agreeing to – and she did agree to it. The fact it will cover an individual and their family also doesn't mean it is unsuitable for a single person. Again, that's common to most such policies.

Mr L says that his mother already had similar cover but the documents provided to us show that although she had access to a free legal advice helpline with her home insurance, this is

not the same as legal expenses cover – which she hadn't opted to take according to the schedule provided.

The premiums Mrs H paid in 2009 was a total of £363.99 for the year, this increased each year by about £30 then £60; and then finally the annual premium around four years later was £580.08. Homeserve agreed to apply a discount, when asked, of £120.00, taking it to £460.08.

Homeserve says that it reviews its premiums each year to take account of operational costs and so on. This is not unexpected. It also says that the claims made previously would affect the price offered to Mrs H. It also says that the offers on its website are for potential new customers at an introductory offer rate to persuade them to join Homeserve. I'm not persuaded that Mrs H was treated unfairly or unreasonably with regard to the cost of her policy.

Other providers may provide similar policies cheaper but – even if they offered exactly the same cover – that doesn't mean that Homeserve isn't entitled to charge the premiums it has set. And Homeserve is also allowed to offer discounts to entice new customers. The premium was set out sufficiently clearly in all the renewal documents sent to Mrs H each year and she would've been able to cancel it if she didn't accept the new premium.

Although later documents said to call if a customer didn't want to renew, the absence of this in earlier versions doesn't mean Mrs H was mis-led into thinking she couldn't cancel. The letters explained that the policy would automatically renew but this wouldn't reasonably lead a consumer to think they couldn't cancel it if they wanted to.

Finally, I understand that Homeserve had a commercial arrangement with Mrs H's water supplier to offer branded policies. I can't comment, however, on any 'entitlement' to use the supplier's name when introducing policies not related to the water supply. This would be a matter for the Financial Conduct Authority.

my final decision

I uphold this complaint against Homeserve Membership Limited in part and direct that it should refund the premiums paid for the Keycare insurance policy together with interest at 8% per annum from the date each premium was paid by Mrs H to the date of reimbursement.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs H to accept or reject my decision before 16 June 2015.

Harriet McCarthy
ombudsman