

complaint

Mr and Mrs F complain that First Complete Ltd mis-sold them buildings insurance through its appointed representative ("Your Move").

background

In May 2011 Mr and Mrs F were sold a home insurance policy by Your Move to provide building and contents cover for the new home they were buying. Your Move were acting as mortgage advisers to Mr and Mrs F. And they had told them they had arranged for their Insurance Services Division to make contact to discuss their home insurance needs. The policy was sold during a follow up telephone call which Your Move made to Mrs F. Your Move have confirmed that this was an advised sale. Cover under the policy commenced on exchange of contracts for their new home in June 2011.

In May 2014 Mr and Mrs F's home was badly damaged by fire and they made a claim on their home insurance policy. Following an investigation of their claim, the insurers said it wouldn't meet the building repair costs in full and that they would have to pay some of these themselves. The insurers say this is because their property was under-insured at the time of the fire.

It would appear that the insurers also reduced Mr and Mrs F's claim under the contents part of the policy because of similar under-insurance. But as Mr and Mrs F haven't complained to First Complete about this part of their claim, I haven't considered this further in making my decision.

Mr and Mrs F say that they were mis-advised by Your Move about the amount of cover they needed to take out for the buildings part of their home insurance policy. And they think that Your Move should pay them the difference between the repair costs the insurers are prepared to cover and the total costs needed to reinstate their property.

Our adjudicator upheld the complaint. First Complete disagrees with the adjudicator and so the case has been passed to me.

my findings

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

As an advised sale, Your Move needed to take reasonable steps to ensure that the home insurance policy it sold Mr and Mrs F was right for them. This responsibility included providing suitable advice about the amount of buildings cover they needed.

First Complete has provided a recording of the initial call their agent made to Mrs F to discuss the couple's requirements for home insurance. During the call the following conversation took place about the amount of cover required for building insurance:

Agent: *"Have you had the survey completed yet Mrs F?"*

Mrs F: *"We've had a home report. Well, there was a home report done on it. We're getting a new one run on it just now".*

Agent: *"Yeah, that's fine. I think that's what's triggered the call here because obviously it's starting to move on a bit quicker now. Um ... what we're looking at is a rebuild or reinstatement figure for the property. Now, our average is normally £125,000 for the rebuild".*

Mrs F: *"Right".*

Agent: *"So it's nothing to do with the purchase price. It's just the bricks and mortar to reconstruct the property if it needed to be. Are you happy with that for the estimate?"*

Mrs F: *"Yep, yep".*

It would seem to me, that this call formed part of the sales process when Your Move sold Mr and Mrs F their home insurance policy. And, from the information available to me, this would appear to have been the only conversation which Your Move had with Mr and Mrs F about the reinstatement cost of their property. It was this figure that was included for buildings cover in the policy documentation which they subsequently received.

I've carefully thought about what was said during this conversation. And I don't think that Your Move took enough care in advising Mrs F about the amount of buildings cover she and her husband should take out. I say this for the following reasons:

- The agent did little to explain what was meant by a "rebuild or reinstatement figure", or how one should go about estimating it. And I think what he did say about it being *"...just the bricks and mortar to reconstruct the property..."* was misleading. It could easily have given Mrs F the impression that this figure was likely to be much lower than the amount they were paying for their new home. So the cover figure put forward by the agent might have seemed more than adequate to Mrs F. And at no time did the agent warn Mrs F about the risks involved in under-estimating the figure and being under-insured as a result.
- The agent asked Mrs F whether a survey had been completed. But he didn't point out the importance of this document as a way of getting a good estimate of the buildings cover needed. The agent was told by Mrs F that a home report was being done at the time. So, I think it would be reasonable to have expected the agent to have suggested that she waited for this before deciding on the right buildings figure to use. At the very least, the agent should have advised Mrs F to check the figure he had given her when this report was received.
- The agent said to Mrs F that *"...our average is normally £125,000 for the rebuild"*. And shortly afterward he asked her *"Are you happy with that for the estimate?"* But the agent didn't explain anything about how that figure was arrived at. And he didn't make Mrs F aware that there were risks involved in using this figure as the only basis for agreeing the right level of cover. I think he should have done both of these things when giving Mrs F this figure.

I have next thought about whether Your Move did anything after this initial sales call which should have alerted Mr and Mrs F to the fact that the buildings cover figure they had agreed to might be too low.

A second telephone conversation between Mrs F and a different agent of Your Move took place later that week. This was when Mrs F phoned to give Your Move her bank details. But there was no further discussion about the level of buildings cover required during this call.

Following these calls, an insurance quote was provided to Mr and Mrs F. And I accept that Your Move made it clear that Mr and Mrs F should check the information in this quote. But I don't think that this was enough to correct the failings which I have identified with their initial sales call. I think Mr and Mrs F wouldn't have had any particular reason to think that there was a need to revisit the estimate of cover agreed during that first call.

Finally, I have looked at the annual renewal invitations which Mr and Mrs F received in the following two years. These documents say that policyholders should inform Your Move if: "...the rebuilding costs of the home or the replacement values of contents and/or valuables exceed the sum insured or the limits shown in the policy schedule". But I don't think that this is given any particular prominence in these documents. And I can't see any guidance about how to go about checking the rebuilding costs. If Mr and Mrs F had looked at this figure, I think they might have taken undue comfort from the fact that it was already subject to automatic indexing.

So in selling them their home insurance policy, I think that First Move failed to give Mr and Mrs F adequate advice about the buildings cover they needed. It follows from this that I think First Move mis-sold the policy to them. This mattered to Mr and Mrs F because it meant that they were under-insured from the start of the policy and their insurers have declined to pay the full cost of rebuilding their home following a fire.

I've carefully considered what First Complete has said in response to our adjudicator's assessment of this complaint. But this doesn't change my views. First Complete has suggested that it was the responsibility of Mr and Mrs F to ensure that the buildings sum insured was at the appropriate level. However, it was Your Move that was recommending the policy to Mr and Mrs F, and was therefore required to ensure that the policy was suitable for their needs. I also don't think that because Mr and Mrs F had owned a property before, this meant they should know what level of sum insured they should have for their new property.

my final decision

I uphold this complaint.

If Mr and Mrs F had been properly advised by First Complete Ltd, I think they would have still purchased the policy. But I think they would have used the rebuild figure in their home report for the initial cover they asked for.

So I require First Complete Ltd to carry out the following actions:

- Calculate the buildings cover figure that would have applied at the time of the fire claim if the buildings sum insured had been set as the valuation contained in Mr and Mrs F's home report in 2011. First Complete should apply the standard indexing to this for the following annual reviews prior to the claim being made.
- Work out and pay to Mr and Mrs F the difference between what the insurers are liable to pay in relation to Mr and Mrs F's claim and what the insurers would have been liable to pay if the calculated figure above had been the actual buildings cover in force at the time of the claim.
- If Mr and Mrs F have already paid repair costs which would have been paid by the insurer if they had not been underinsured, First Complete must add interest at 8% simple per annum (less tax where properly deductible) from the date each repair invoice was paid to the date of settlement.
- If First Complete can show that Mr and Mrs F would have paid a higher premium for the increased level of buildings sum insured, it can deduct the increase in the premium from any compensation due.

I make no other award against First Complete Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs F to accept or reject my decision before 26 May 2015.

Simon Furse
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