

complaint

Mrs L complains about Liverpool Victoria Insurance Company Limited's ("LV") decision to apply an additional premium to her buildings insurance policy.

background

In July 2015, Mrs L received her buildings insurance renewal invitation from LV. Unhappy with the renewal premium, Mrs L contacted LV to complain about the price. LV offered Mrs L a new product at a cheaper price and a new application was done over the phone.

After Mrs L accepted the new policy and premium, LV ran its standard checks and discovered she had made previous claims on her (separate) contents policy along with two others on her buildings. These claims hadn't been disclosed by Mrs L during the telephone application. So, LV recalculated the premium, having taken the further claims into account, and sent an amended schedule to Mrs L. It also said it needed to charge her an additional amount.

Mrs L refused to pay the additional premium and, after a number of reminders for payment, LV issued a 7 day cancellation letter. Mrs L complained to LV about the additional premium and the fact it took her contents claims into account. She said it had questioned her integrity and honesty by charging the additional premium. LV looked into Mrs L's complaint but didn't change its mind.

Mrs L complained to this service. Our adjudicator investigated her complaint but didn't recommend that it was upheld. He said that LV had followed its standard procedure by checking for previous claims. He thought LV had asked Mrs L a clear question about her claims history which she'd mistakenly answered incorrectly. He said LV acknowledged she hadn't deliberately failed to tell it about the other claims. He said this was why the only sanction LV applied to Mrs L's policy was to charge an additional premium which accurately reflected the risk it was being asked to accept. He said that LV had offered to waive the cancellation fee should Mrs L not want to continue with the policy; our adjudicator thought LV wouldn't have done so if it thought Mrs L had deliberately withheld information.

Mrs L hasn't paid the additional premium and LV has waited for us to consider the complaint before cancelling the policy for failure to pay.

Mrs L disagreed with our adjudicator's findings. She says that LV has acted unreasonably by applying the additional premium to her policy. She also said she had no reason to think she needed to disclose any claims made on her contents policy when applying for a buildings insurance policy.

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 have to decide if LV acted reasonably in applying the additional premium to Mrs L's policy and I have to say I think it did. I'll explain why.

LV's sales consultant asked Mrs L the following question:

“In the last five years, have you or anyone living with you had any home claims?”

Mrs L is unhappy that LV took the claims she made under her contents policy into account when revising the premium for her buildings policy. She says LV never asked her about claims made under her contents policy so she saw no need to disclose them.

I think that the consultant's use of 'home' was a clear indication that any claim relating to the home needed to be disclosed. If the consultant had said 'buildings' I would agree with Mrs L that she need not have disclosed the claims made under her contents policy. But he didn't restrict his enquiries to buildings claims only. I've thought about what Mrs L has said about this but I'm afraid I don't agree with her.

Mrs L has said the question wasn't clear enough to make her think her contents claims needed to be disclosed. Even if I were to accept what she says about this, I can't ignore that there were two other buildings claims (in addition to those she did disclose) that she also didn't refer to when asked. So, I can't overlook that Mrs L provided LV with misleading information, although I accept that her omission was an inadvertent one. I know Mrs L thinks this service believes she acted dishonestly, but that's not the case. I don't think she acted dishonestly at all. But I also don't think the question asked by LV's agent was unclear or unreasonable.

Mrs L says that LV had the information about her claims on its screens so, effectively, was asking her to 'double disclose'. LV is entitled, when setting up a new policy to ask about previous claims. That's the case even when the customer has been with LV for a number of years already. Even though Mrs L was an existing customer, she was required to answer the questions asked fully.

Mrs L hasn't been disadvantaged for the failure to disclose the other claims. She's now being asked to pay a price that accurately reflects the risk LV is being asked to take on, a price which it would've charged her from the outset if it'd been in full possession of all the facts. I accept, as does LV, that there was no deliberate intention – or motive, as Mrs L has said - to withhold the details of the claims from LV. Mrs L's failure to disclose the other claims was an inadvertent mistake and one without motive.

But I can't agree with her that LV has treated her unreasonably by checking her claims history after the application was completed and then asking her to pay an additional premium once it knew about all the home claims she'd made in the last five years. I can understand Mrs L's frustration at being asked to pay an additional premium, after receiving the quotation, but I can't agree it was intended to call her integrity into question. It's better that this has come to light now rather than after Mrs L having needed to bring a claim under the policy. Validating a claim is normal insurance practice and if this had come to light then, the consequences of the non-disclosure could've have been more significant. Had LV believed the non-disclosure to be deliberate, then it could've acted differently, and investigated the matter in a more serious manner. Also, I don't think it would've offered to waive its cancellation fee if it doubted Mrs L's integrity in any way.

I can see that even after the additional premium is added, Mrs L is still paying less than she was for her old policy. So, had the correct claims information been provided and the correct premium been quoted at the point of application, it's not unreasonable to think she would still have accepted the new policy.

Mrs L has questioned LV's use of the sales call recording when investigating her complaint. This is a completely normal part of the complaints process and something we'd expect an insurer to do.

I can't agree with Mrs L that LV has unlawfully sought to vary the terms of her home insurance cover by trying to apply an additional premium and by stating it will cancel the policy if the additional premium isn't paid. I say this because, in the "General Conditions" section of the policy booklet it says:

*"If you or anyone representing you:
provides us with misleading or incorrect information to any of the questions asked when applying for, amending or renewing this insurance;...[then LV may]...
agree with you to amend your policy to record the correct information, apply any relevant policy terms and conditions and collect any additional premium due including any administration costs;"*

It also states:

"We'll cancel your insurance by giving you 7 days' notice if:
• *you don't pay the premium or an instalment when we have notified you that the outstanding amount is required by a specific date;"*

Mrs L has also said she would like us to ask LV to continue to offer her the opportunity to renew her insurance in the future. She's also said she doesn't want LV to discriminate against her by setting future premiums at a higher level in order to dissuade her from purchasing cover from LV. I'm afraid that this service is unable to consider complaints about events that are yet to happen. Should any issue arise in the future with which Mrs L is unhappy, she should make a complaint to LV in the first instance. After it has investigated it, she may be able to refer a further complaint to this service.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 11 April 2016.

Claire Woollerson
ombudsman