

complaint

Mr G complains about the sale of his buildings insurance policy by Safe&Secure Insurance Services Ltd.

background

Mr G purchased a new property ("Z") in 2011 on a buy-to-let basis for £63,000 and contacted Safe&Secure to set up a buildings insurance policy on his behalf. Safe&Secure arranged this and the property was insured for £60,000.

In 2012, Z was broken into and damage caused. Mr G made a claim under the policy which was accepted by the insurer. However, the insurer said that Mr G's property was under-insured. His policy included an average clause and so the insurer reduced the claim settlement proportionately.

Mr G complained about the sale and the claims decision to both Safe&Secure and the insurer. Safe&Secure did not deal with his complaint about the sale and instead referred it to the insurer. The insurer did not uphold the complaint and so Mr G brought a complaint to this service against the insurer. We were satisfied that it was reasonable for the insurer to apply the average clause to Mr G's claim.

As Mr G did not receive a response to his complaint about the sale, he also brought a complaint against Safe&Secure to this service.

Our adjudicator recommended that this complaint be upheld. She thought Safe&Secure had failed to give Mr G adequate advice about the appropriate sum insured for Z. She recommended that it pay compensation equal to the under-insurance deduction the insurer made to Mr G's claim, plus interest. The adjudicator also recommended that it pay Mr G £150 compensation for failing to properly deal with his complaint.

Safe&Secure did not agree with the adjudicator's recommendations and so the matter has been passed to me to consider afresh.

my findings

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

It is not in dispute that the sum insured for Z of £60,000 was significantly less than it should have been. The issue for me to determine is whether Safe&Secure, in its capacity as Mr G's broker, made him aware that the sum insured should be the current day rebuilding cost, including the cost of various fees such as surveyor fees, legal fees etc.

Mr G took out the policy through Safe&Secure over the phone. Unfortunately Safe&Secure does not have a recording of this call, but it says it would have followed a call script and Mr G would have been read the following statement:

"Your buildings sum insured should represent the full reinstatement value of your property (including an allowance for professional fees and demolition)...Underinsurance will adversely affect any future claims and it is your responsibility to ensure the accuracy of sums insured."

Mr G says the above notice was not read out to him and that he insured Z for £60,000 as this was the amount Safe&Secure's agent recommended after he explained that he had purchased Z for £63,000.

Safe&Secure has provided a copy of the demands and needs statement it sent to Mr G after he took out the policy. This statement said:

"1. Buildings Insurance: for the full rebuilding cost cover on a 0 bedroom Terraced built 1930, without a Garage, with Accidental Damage..."

Our Recommendation

From the information given, we are pleased to make the following recommendations...

- 1. Buildings Insurance: for a sum insured of up to £60,000, with Accidental Damage."*

As we do not have the call recording of Mr G taking out the policy, we do not know if Safe&Secure informed Mr G that the buildings sum insured should be the full rebuilding cost of his property (rather than simply the approximate purchase price). Safe&Secure says it would have told him this, but Mr G says it did not.

As there is a dispute between the parties about what was said during the sales call, I have placed the greatest weight on the documentary evidence that is available.

Whilst I accept the demands and needs statement makes reference to the rebuilding cost of the property, I would not expect Mr G to understand what this meant without a more detailed explanation. Moreover, it is apparent from the demands and needs statement that Safe&Secure *recommended* that Mr G take out the sum insured of £60,000. Mr G says it made this recommendation based on the price he paid for Z, and I have not seen any evidence to suggest that Safe&Secure took into account the current rebuilding cost when making its recommendation. Indeed, as the rebuilding cost is far higher than £60,000, it would seem more likely that it based its recommendation on the purchase price.

Overall, it seems to me to be more likely than not that Mr G was not made fully aware that the sum insured would need to be based on the full rebuilding cost and what this actually meant.

It therefore follows that Mr G was prejudiced by Safe&Secure's failings in this respect. If Safe&Secure had given Mr G appropriate advice regarding the sum insured he should have taken out for Z, then I am satisfied he would have taken its advice and therefore would not have been under-insured when he made the claim in 2012. That being the case, I consider an appropriate solution would be for Safe&Secure to compensate Mr G for the loss he incurred as a result of the insurer's decision to settle his claim proportionately.

I further note that Safe&Secure failed to deal with Mr G's complaint and instead referred it to the insurer. I agree with the adjudicator that a compensation payment of £150 to reflect the inconvenience would be appropriate in the circumstances.

my decision

For the reasons set out above, my final decision is that I uphold this complaint. I require Safe&Secure Insurance Services Ltd to pay Mr G compensation equal to the under-insurance deduction made by the insurer. Interest at the annual simple rate of 8% (less tax if properly deductible) should be added to this from the date the insurer made the claim payment to the date of settlement.

I further require Safe&Secure Insurance Services Ltd to pay Mr G £150 compensation for the inconvenience it caused by failing to properly deal with his complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr G to accept or reject my decision before 9 April 2015.

Chantelle Hurn
ombudsman