

## **complaint**

Mrs K has complained about the sale of her policy by Be Wiser Insurance Services Ltd ("Be Wiser"), a broker. When Mrs K came to make a claim under her insurance policy, she was underinsured and, therefore, her claim has not been met in full.

## **background**

In 2010 Mrs K contacted Be Wiser to enquire about a motor insurance policy and she spoke to one of its agents. During that call, her home insurance cover was also discussed and ultimately it was agreed that the agent would also run a quote for that too. She was pleased with the quote that she was offered – significantly lower than her previous insurance premium – and she took out the policy. The following year Mrs K was sent renewal documents and she again took out a policy via Be Wiser with an insurer ("A").

Unfortunately, in mid-2011, there was a fire at Mrs K's property. She notified A, but during the course of its investigations it came to light that Mrs K was underinsured: the re-build cost listed on her policy was £100,000 but A's loss adjusters estimated that £275,000 was a more appropriate sum. As such, A said it would only settle the claim based on the cover in place. A also requested that an additional payment was made by Mrs K to increase her policy premium to reflect the fact that the building sum insured was too low.

Mrs K says she was led to believe by Be Wiser that the payment of this additional premium would mean that her claim would be met in full. However, A went on to offer a settlement proportionate to the original (underinsured) amount.

Mrs K complained that her policy had been mis-sold to her by Be Wiser and that it should have advised her better as to the re-build cost that she should have applied to the policy.

Our adjudicator reviewed the evidence and recommended that the complaint be upheld. He listened to the recording of the call between Mrs K and Be Wiser when she took out the initial policy and concluded that Be Wiser's agent did not exercise due care in considering Mrs K's needs and, ultimately, this led to her buying an insurance policy that was not suitable for her.

As Be Wiser did not agree, this case has been passed to me for my consideration.

## **my findings**

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

I have listened carefully to the conversation between Mrs K and Be Wiser's agent. Mrs K is asked how many rooms there are in total in her property (to which she answers 18) and how many bedrooms (6). The agent then asks Mrs K how much it would cost to re-build her home if it were knocked down. She replies *"I can't understand that question at all...I suppose £100,000"*. The agent then immediately asks if Mrs K would like to apply a voluntary excess to that part of the policy cover.

It is clear from listening to this part of the call that Mrs K did not really understand the question (she states that explicitly) and equally clear that the figure she offers is nothing more than a guess. I would have expected a broker offering advice to a customer to, at the

very least, offer further explanation of the question, the implications of Mrs K's answer and whether Mrs K wanted to re-consider her answer in light of that. Mrs K had already stated that the property had 18 rooms and 6 bedrooms, but that she did not understand the question: I consider that this should have been a clear trigger for a broker to ask more questions about the re-build cost stated for the property.

As the conversation continues, Mrs K asks if the swimming pool in her garden, which she describes as being *"under a dome, for 24/7 use"* is also covered. The agent confirms that the £100,000 estimate covers all parts of the building. The agent also asks Mrs K what she usually pays for her insurance and expresses surprise when this is significantly higher than the quote he offers her.

I am satisfied that, as set out above, the broker in this case should have been on notice more than once that there was significant potential for the quote he was offering Mrs K to be unsuitable for her needs. She made it clear that she did not understand the question about the re-build cost of her home; she described a sizeable property (6 bedrooms with a covered swimming pool). I consider that a broker who regularly deals with home insurance should be aware that £100,000 is a low re-build cost for a house of that size and specification. Mrs K also gave information about her previous insurance policies that were only available at a significantly higher cost. Overall, I am not satisfied that Be Wiser took reasonable steps to ensure that it was advising Mrs K of a suitable product for her needs.

Be Wiser has pointed out that it is not its role to advise customers of the re-build cost of a property –and I appreciate that its agents are not surveyors and do not have the expertise to offer such estimates. However, I do consider that they are experts in selling insurance and that it is their role to ensure that a customer understands what is being asked of them when taking out insurance and the implications of the answers they give. I would not expect Be Wiser's agent to have offered an alternative re-build cost, but I do consider that there were enough warnings that the estimate may be insufficient for him to have advised Mrs K of the importance of that information and the need to seek advice to ensure it is accurate.

Towards the end of the call, when the answers she has given are summarised, Mrs K states that she has been told that her property might be worth £450,000 and asks if that is the relevant thing for the re-build estimate. The agent says no and explains that it costs less to build a house than to buy one. I understand Be Wiser's comments in relation to this exchange that it cannot –and should not – correlate an estimated sale price for a house, or the number of bedrooms with a re-build cost. However, taken in the context of the rest of the conversation, I am persuaded that it underscores the potential for misunderstanding.

The key facts document sent to Mrs K states that Be Wiser will *"advise and make recommendations whilst considering your demands and needs"*. For the reasons set out above, I am not satisfied that it has done so in this case. I have noted Be Wiser's comments, both to Mrs K and our adjudicator. In particular, I note the comment that because Mrs K called Be Wiser to correct a mistake in her contents cover, she had read her policy documents and was aware of the amount noted for the re-build cost. However, the issue here is not whether Mrs K knew the figure that had been listed for the re-build cost, but whether she understood what that meant and, from listening to the sales call, it is clear to me that she did not. She said this to the agent and yet at no point is it explained to her.

Be Wiser has also pointed out that Mrs K had previous insurance cover and must have had to provide a re-build estimate for this cover. I agree and it is this kind of information I would

have expected Be Wiser's agent to have attempted to draw upon when Mrs K said that she did not understand the question being asked of her.

As a result of the underinsurance of her home, Mrs K did not benefit from full settlement of her claim with A. I have reviewed the exchanges around the additional premium that Mrs K was asked to pay, but I am satisfied that A only ever meant this to correct the error for the policy going forwards: not so that it could retrospectively meet all of Mrs K's claim, ignoring the underinsurance as Be Wiser had suggested. As such, I consider that it is fair and reasonable that Be Wiser should meet the shortfall in Mrs K's claim

I have also noted Be Wiser's comments that it is in discussions with A about how best to settle this claim and, whilst I appreciate it has a right to pursue those discussions, it would not be reasonable for that to prejudice Mrs K should that continue to take some time.

Be Wiser's aim was, of course, to sell Mrs K a suitable policy. However, the policy was not suitable and the effect on Mrs K and her sons has been profound. Her stress and anxiety is clear from the communications I have seen between her and our adjudicator. The experience for Mrs K, who is registered disabled but has found herself without a permanent home for such a long period, has clearly been very distressing. She has gone into some detail about the various ways in which her life has been affected by this protracted issue and her anxiety that she feels she has let her family down. For that reason, Be Wiser should pay Mrs K £2,500 to reflect the disturbance, inconvenience and distress that this matter has caused her.

### **my final decision**

For the reasons given above, I uphold this complaint. I require Be Wiser Insurance Services Ltd to:

- pay the shortfall in Mrs K's claim, either by liaison with A's loss adjuster or by paying for an independent loss adjuster to assess the claim, plus interest from the date of loss until the date of settlement; and
- reimburse the reasonable out-of-pocket costs that Mrs K has incurred as a result of the shortfall in this claim, over and above her everyday living costs, including without limitation storage and rental costs for the period that Mrs K has been out of her home (subject to her providing evidence of those costs). Interest should be added from the date those costs were incurred until the date of settlement.

Interest is payable at a rate of 8% simple per annum (less any legally deductible tax).

I also require Be Wiser Insurance Services Ltd to pay Mrs K £2,500 to reflect the distress caused to her by the underinsurance on her policy meaning that her claim was not met in full.

Helene Pantelli  
**ombudsman**