

complaint

Mr and Mrs P are unhappy that Lloyds Bank Insurance Services Limited (Lloyds) didn't tell them when it renewed their two home insurance policies that it was no longer a member of the Insurance Brokers Registration Council (IBRC). And also that it didn't tell them it had become an agent of the insurance companies providing their policies as opposed to a broker acting for them. Mr and Mrs P think they've paid more than they should have done for their insurance policies over a number of years as a result.

background

In May 2015 I issued a provisional decision regarding this complaint, explaining why I didn't intend to uphold it. The following are extracts from my provisional decision, outlining the background to this complaint and my provisional findings, and forms part of this final decision:

"Mr and Mrs P previously made a complaint to us about the way Lloyds handled the renewal of their home insurance policies. In that complaint they said they thought that Lloyds would carry out a review of their policies at each yearly renewal to make sure that they were getting the cheapest possible renewal premiums from their panel of insurers. And because this didn't happen, Mr and Mrs P said they've suffered a significant financial loss.

In her final decision, the ombudsman who looked at Mr and Mrs P's previous complaint said:-

- She was unable to conclude from the available evidence that Lloyds had promised to carry out a yearly review or to act as broker each year the policies were renewed when it sold them.*
- Lloyds acted as broker for the initial sales in 1997, but didn't appear to have acted as broker again until 2011.*
- She'd not seen any evidence to show Lloyds held itself out as a broker beyond the initial sales in 1997. And she was unable to conclude that there'd been any breach of the IBRC's code of conduct;*
- She thought the offer Lloyds had made, as a gesture of goodwill, to settle the complaint was very generous. As she couldn't reasonably conclude Lloyds was at fault, she didn't think it should have to increase its offer. And she recommended Mr and Mrs P accept it.*

As I've already mentioned, in the complaint I'm looking at here, Mr and Mrs P have said that Lloyds failed to tell them in 1998 (one year after the initial sales) that it was no longer a member of the IBRC. And they've also said it didn't tell them at some point after the sale it wasn't acting as their agent anymore and had instead become a tied agent of the insurance companies who were providing their cover.

I understand that Mr and Mrs P think this shows that Lloyds was at fault and that they should be paid more in compensation. And they've suggested they should get back 75% of the premiums they've paid between 1997 and 2011 plus interest. They think this would be more appropriate than the 40% refund Lloyds has provided. I understand that 75% is based on the difference in the premium they paid in 2011 for a new policy and the premium Lloyds

quoted at this time to renew their existing policies.

Our adjudicator explained why he didn't think this complaint should be upheld. But Mr and Mrs P don't agree with him, so their complaint has been passed to me.

my provisional findings

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

I understand that it's been suggested that Mr and Mrs P should bring their complaint against the insurance company who provided their policies between 1997 and 2011. But I think it's more appropriate for their complaint to be against Lloyds.

I appreciate Mr and Mrs P have found both their complaints very difficult and I can see why it's been distressing for them. And I've taken into account what they've said, especially the leaflets that they sent to the adjudicator which they say are important.

Mr and Mrs P also asked me to find out from Lloyds, before I looked at their complaint, when it became an agent of the insurance company. But because of the provisional findings I've reached, I don't think this is necessary.

I accept Lloyds should have told Mr and Mrs P it was no longer regulated by IBRC in 1998. And I agree it should have told them when it started acting as an agent of the insurance companies. But even if it didn't do either, I'm satisfied the amount it's already paid to Mr and Mrs P (40% of the premiums they paid between 1997 and 2011) is fair and reasonable compensation in full and final settlement.

This means I don't actually need to decide whether Lloyds actually did tell Mr and Mrs P about these things. Although I agree it looks unlikely.

I think what Lloyds has already paid in compensation is fair because it's very difficult to say what Mr and Mrs P would have saved if they'd cancelled their policy and gone to another broker. I know they saved 75% in 2012. But, this doesn't mean they'd have saved 75% every year. It's possible another broker would still have been using a panel of insurers and would still have given discounts for new business. Also, home insurance premium rates in the insurance market change year on year according to claims experience across it.

So I'm satisfied what Lloyds' suggested is a fair alternative. It's not an exact science and 40% is nearly half of what they've paid. So I think it's more than reasonable.

I know Mr and Mrs P won't agree, but I have to decide what I think's fair and reasonable for both the parties involved.

This means it's not appropriate for me to uphold Mr and Mrs P's complaint".

responses to my provisional decision

Lloyds told us that it'd received my provisional decision but didn't make any further comments. Mr and Mrs P have made the following comments:-

- Mr and Mrs P note my provisional finding that it was wrong of Lloyds not to tell them that it was no longer a member of the IBRC and when it started acting as agent for the

insurer. And because of this provisional finding, are happy that it's now been accepted that Lloyds was acting as a broker and was a member of the IBRC. Mr and Mrs P say that if they'd been told about these changes, they'd have immediately looked elsewhere for insurance.

- Mr and Mrs P say that they hope Lloyds' failure to tell them this information was unintentional but, regardless, they were left in a very difficult position. They say that not knowing this information meant that they were a captive customer and no longer had the protection a broker offered and the protection they thought they had. As a result they paid much more for insurance than they should have done.
- Mr and Mrs P don't agree that the amount they've been paid by Lloyds is fair and reasonable compensation. In making this point, they highlight what Lloyds based the 40% rebate of premiums on. And have then shown a calculation they say shows what a fair and reasonable refund of premiums would be (76%, or 73% when the new customer discount is deducted).
- Mr and Mrs P accept that their calculations are based on quotes from one year only. But, they say it offers an interesting basis to compare the cost of insurance. Mr and Mrs P say that they gave Lloyds the opportunity to provide them with historical data from their panel of underwriters but they chose not to do this.
- Mr and Mrs P have sent me a schedule showing, as best they can, what they paid each year for their buildings and contents insurance. They've then compared that cost to the cheapest quote they got in 2011. Having done so, they go on to set out their conclusions on what this data shows. And, having reflected once again on the difference, say that a fair amount of compensation would be 66%, or at least somewhere in between 40% and 66%.
- Mr and Mrs P have also highlighted a finding that the ombudsman who looked at their previous complaint made. And one of my provisional findings. I understand that Mr and Mrs P are suggesting that a finding of fault (my provisional finding) should now mean that their compensation is increased.

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'll start by explaining that a finding of fault doesn't affect how much a consumer should be paid. Compensation is not meant to be a penalty to the business. Although I provisionally found that Lloyds did do something wrong, this in itself doesn't mean Mr and Mrs P should be paid more. I need to decide if it's fair and reasonable that Lloyds pay Mr and Mrs P more than they have done, taking into account the further comments and documents Mr and Mrs P have sent me.

In my provisional decision, I said that I understood the 75% Mr and Mrs P think they should be refunded was based on the difference in the renewal premium Lloyds sent them and the policy they actually bought. I now understand that when Mr and Mrs P received their renewal quote in 2011, they got quotes for buildings and contents insurance through Lloyds' website with those insurers that were on Lloyds' panel at the time. The calculation Mr and Mrs P have sent me seems to be based on the cheapest quote that they got

through Lloyds' website (I'll refer to this quote as "*the quote*" within this decision"). But the insurance they eventually bought was even cheaper than Lloyds' cheapest quote.

I can see Mr and Mrs P have taken great care in calculating the amount they think they should be paid in compensation. Although I think this, I can't ignore that their figures are based on one year's quotes with *the quote* being selected as the comparator for their calculation. The period they're looking to be compensated for goes back to 1997. So, I don't think a calculation based on *the quote* is enough to support what they're saying.

I say this because the insurance market can change significantly one year to the next. I note that *the quote* was cheaper than what they paid Lloyds at renewal for the year 2001/2002. This suggests they've paid more than they would have done had they got a quote, at the time of this renewal, from a different insurer. But it doesn't tell me how much cheaper it would have been. Equally, I don't know what Mr and Mrs P's personal circumstances were (for instance, their employment and claims history) for this renewal as compared to the information *the quote* was based on. This equally applies for each other renewal too.

Also, I can't ignore that *the quote* is based on Mr and Mrs P being new customers and it being new business. Whilst their renewal quote was based on them being existing customers. I note that Mr and Mrs P have taken into account the new customer discount shown on *the quote* they got in their calculations. But, frequently businesses use a different rating model for new business than repeat business. So, for it to be a fair comparison, a quote would need to be based on them being existing customers not new ones.

Mr and Mrs P explained how Lloyds calculated the 40% rebate they've received. They say that this is illogical. In deciding that 40% is a fair and reasonable amount, I've not focused on how Lloyds arrived at this sum. I've looked at if it's likely to reflect how much more Mr and Mrs P paid for their insurance than they should have done. It's possible that, had they got a comparison quote each year at renewal, some years it will have cost more than other years. Such that some years they could have saved more than 40% but other years less than this. So, on balance, I think 40% is fair and reasonable.

Finally, I note that Mr and Mrs P are unhappy that Lloyds hasn't explained why, when it reverted back to being a broker in 2011, it didn't offer them the plan that was available on their online service (*the quote* that Mr and Mrs P themselves found). I'm not going to make a finding on whether Lloyds did anything wrong in not telling them about this. Because even if they did, I can't see that Mr and Mrs P have suffered any loss as a result of this. I say this because it's clear that they found out about this for themselves.

my final decision

My final decision is that I don't uphold Mr and Mrs P's complaint against Lloyds Bank Insurance Services Limited. Because I think they've already got enough compensation for what it did wrong.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs P to accept or reject my decision before 3 August 2015.

Lisa Wright
ombudsman