

## **complaint**

Ms T complains M3W Limited gave incorrect advice about the amount she insured her buildings for (sum insured). As a result she was underinsured when she claimed for damage to her property after a fire.

Ms T is being represented in bringing this complaint. But for ease I've referred to all actions and comments as being those of Ms T.

## **background**

M3W had arranged Ms T's insurance for a number of years. In December 2016 there was a fire at her property which affected one of the outbuildings. She submitted a claim for damage caused by the fire to her insurer. She received a pay out of around £7,000. But this was only 45.5% of the total claim amount, as the insurer said Ms T was significantly underinsured.

Ms T complained to M3W and said it had mis-sold the policy. She said it didn't do enough to make sure she had an adequate level of cover for the property. She said she'd arranged insurance through it for many years and it hadn't told her how to make sure her property was fully insured. She said the renewal documents were sent every year but she wasn't told to check what the amount insured was, or whether that would be adequate to cover the rebuild costs of her property.

M3W said it was the responsibility of Ms T to read the documents and to make sure that cover was adequate. It said the policy had been set up in 2005, and the sum insured had been index-linked, to grow every year with inflation. So it didn't think it had done anything wrong and it wasn't responsible for Ms T being underinsured.

Our investigator said M3W had a responsibility to ask Ms T a clear question around what the sum insured should be. She said she didn't think M3W had made it clear that the sum insured should include the full cost of a rebuild to her property. So she thought M3W should pay the shortfall between what the insurer paid Ms T and the full value of the claim.

M3W said it would've asked Ms T about her sum insured when she renewed her insurance. It didn't agree it had done anything wrong. So the matter has come to me to decide.

## **my findings**

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

Ms T has also brought a complaint to our service against the insurer. I won't be looking at the actions of the insurer in my findings here. This decision will focus solely on the actions of M3W as Ms T's broker.

Ms T first took out the insurance through M3W in 2005. But I'm unable to look at the actions of M3W at this time, as it wasn't regulated to sell insurance in 2005. So I can't look at whether it asked Ms T a clear question in relation to her sum insured in 2005 when the policy was first set up.

However, I can look at the actions it took at renewal when it was regulated in 2013. The relevant renewal in this case was in 2016 as this is the policy that was in force when the fire struck Ms T's property.

It's not clear whether M3W provided an advised sale, or an information only one. The renewal documents say it is responsible for finding Ms T a 'suitable' insurance policy, which suggests it was an advised sale. But even if it only provided information to Ms T, I don't think it did enough to enable her to ensure the sum insured was suitable for her. So M3W should pay the shortfall between the value of the claim, and the amount she received from the insurer. I've explained why below.

I agree with the investigator that M3W should ask a clear question. And when asking if the sum insured is sufficient to cover Ms T's property, it should also make clear that this amount needs to cover the cost of clearing and rebuilding the site.

M3W has provided me with its renewals process and the letters it sent Ms T when her policy was up for renewal. The process document isn't dated, so I can't be sure it was used when Ms T renewed her policy in 2016.

Its renewals process says three weeks prior to the renewal date it will receive the new quote from the insurer, requote the existing details and send it to Ms T.

I've seen a renewal letter sent to Ms T in 2015, it doesn't say Ms T needs to check her sum insured is adequate. It only invites her to get in touch if there have been any changes to her circumstances. I haven't seen the letter from the 2016 renewal, but I think it's likely this would have said the same, given M3W has confirmed this is its process.

There is another part of the renewal process which says:

*"When a client contacts us*

- check with the client if any changes and that sums insured are still sufficient for needs..."*

M3W has provided me with a copy of what it says it would have asked Ms T in relation to her sum insured. And I think had it asked those questions, it would have met its obligations in terms of making clear to Ms T that her sum insured needed to include the cost of clearing and rebuilding the site. But based on what I've seen, I'm not satisfied the evidence suggests Ms T was asked to check any of this.

There is no record of Ms T contacting M3W following the renewal letter in 2016. M3W has provided a copy of its contact notes with Ms T and in 2016 the only recorded contact from the time of renewal says '*sent renewal*'. Ms T says she didn't get in touch as nothing had changed that she thought M3W needed to be aware of. There is nothing else to suggest M3W spoke to Ms T before the policy renewed. I accept Ms T must have got in touch to confirm she wanted to renew. M3W says its customers would usually renew over the phone or by coming in to the office, and it is at this point it would check cover and sums insured are adequate.

But I haven't been provided with any detail about any conversation that took place. And there are no recorded notes of the conversation. Ms T has said she wasn't asked any questions about whether her insurance cover was sufficient. The next contact noted from Ms T, after the renewal was sent, was when she reported the fire. So M3W hasn't shown it's

followed its process of asking if the sum insured is still sufficient for her needs. It also seems M3W would only ask this question if Ms T had proactively got in touch with it to discuss her insurance. So I don't think this is enough to say M3W met its obligations to ensure a clear question was asked. And on balance, I think it's more likely than not that Ms T wasn't asked whether her sum insured was enough to cover the full cost of rebuilding her property and outbuildings.

I've considered what Ms T would have done had M3W asked if her buildings insurance was sufficient to cover the cost of rebuilding her property. I haven't seen anything to suggest she wouldn't have taken steps to ensure she was sufficiently covered. I accept it's not M3W's responsibility to carry out a survey on the property to determine an accurate sum-insured amount. But it has said it would carry out a visit if it would benefit themselves or the client. And I haven't seen anything to suggest Ms T wouldn't have taken action – including possibly asking for a site visit - had M3W carried out its responsibilities correctly.

Based on the above I think it's fair and reasonable in the circumstances of this case for M3W to compensate Ms T £8,790.20. This is the difference between the value of the claim and the amount the insurer has already paid Ms T. It should also add 8% interest from the date of the claim until the date of settlement.

### **my final decision**

My final decision is that I direct M3W Limited to:

- pay Ms T £8,790.20;
- pay interest on whatever is left to pay at 8% simple per year, from the date of the claim, until the date of settlement<sup>i</sup>

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 30 April 2019..

Michelle Henderson  
**ombudsman**

---

<sup>i</sup> If M3W Limited considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Ms T how much it's taken off. It should also give Ms T a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.