

complaint

Mr T, the director of company O, complains that Towergate Underwriting Group Limited failed to give him enough information when he arranged specialist insurance for his business. This resulted in O being underinsured when there was a fire.

background

In early 2016, Mr T phoned Towergate to get an insurance quotation. He told them he was taking over a business and needed to arrange insurance for it. Towergate gave him a quotation that included £10,000 of contents cover and no cover for fixtures and fittings.

In March 2016, Mr T phoned Towergate again. He said he'd managed to get a cheaper quotation elsewhere and asked if Towergate could reduce their price. A conversation about various levels of cover followed. Mr T opted to reduce some of the cover previously quoted for in order to lower his premium. This included reducing the contents cover from £10,000 to £5,000. Mr T chose to buy the policy on this basis.

In December 2016, Mr T made a claim following a large electrical fire. The underwriters applied an "averaging" clause to his claim, as they said O was underinsured.

Mr T complained to Towergate. Towergate didn't uphold his complaint as they said he'd chosen the amount of contents insurance he needed – and had also chosen to reduce that amount before he bought the policy.

Mr T brought his complaint to this service. One of our investigators looked into what had happened and didn't recommend upholding the complaint. He agreed with Towergate that it was Mr T's responsibility to choose the correct level of cover not Towergate's.

Mr T disagreed. He said Towergate had breached their duty of care by not providing him with any guidance to make the right choice. To support his case, he sent us a call recording of another conversation with Towergate from mid-2017. In this call, a more detailed conversation about the level of contents cover had taken place.

Our investigator didn't change his mind. So the case has been passed to me to reach a final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I'm not going to uphold the complaint. I'll explain why below.

In Mr T's first call to Towergate, the call handler asks Mr T how much contents cover he requires on a new-for-old basis, for everything excluding computers. He selects a figure of £10,000 without asking further questions. Later on in the call, Mr T mentioned some specialist equipment and the call handler picked up on this and said "*Is that included in the £10,000 pounds you told me earlier or do I need to increase that for you?*". Mr T confirms it's included and the call handler double checks "*so £10,000 pounds covers all of your contents on a new for old basis?*" Mr T says yes.

Ultimately, it is the responsibility of the insured to identify how much cover they need. So even if he'd had a more detailed conversation, Towergate couldn't tell Mr T how much to insure his contents for. But Mr T has argued that Towergate didn't help him or give him enough information to decide on the level of cover. And that they rushed him into saying that the equipment was covered by the £10,000.

Having listened carefully to the call, I don't agree with Mr T's interpretation. I think the call handler gave him several prompts to think about whether he'd selected the right amount of cover and he didn't give them any indication that he was in any doubt about this.

I also note that the call handler stressed the importance of answering all questions accurately and to the best of his knowledge at the start of the call. She also said *"if you're in any doubt as to if any information is relevant or not, please do tell me during this call"*. And she also explained the concept of "averaging" during this call. She said:

"it's important to state the full and true value of contents and or building sums that you're looking to insure because, if you accidentally underestimate the value of this by say, half and you later need to make a partial claim on any part of the policy, the amount paid would be reduced by half to 50% and this is called the average clause in the policy wording...can I please confirm that you understand the consequence of not insuring the full value of the contents?"

Mr T replied *"I get the idea"*. So I think Towergate did enough in this call to check that Mr T had given the right figure for contents insurance. And that he understood the consequences of under-insuring himself.

The second call, where Mr T actually bought the insurance, begins with Mr T informing Towergate that he's found a cheaper quotation. A discussion about ways of potentially reducing various aspects of cover to bring the cost down follows. And Mr T says: *"if we take the business equipment down to £5,000, will that make a difference?"* Towergate queries whether that would be *"insuring you correctly...we need to make sure we're insuring you for the correct sum...if you had to replace everything brand new..."*. Mr T confirms that *"I'm willing to take the risk to be insured only for £5,000"* and the cover proceeds on this basis.

I've considered carefully Mr T's points about the broker's duty of care. But I think Towergate did enough to ask clear questions and check that Mr T understood what he was doing. I don't think it would be reasonable to expect them to do anything more.

I understand Mr T's point about the conversation he had later with Towergate being more detailed than those when he bought the insurance originally. But I think this was because of the responses Mr T gave. In the later call, for example, when the subject of contents cover came up, Mr T immediately started asking questions about what this cover included. This naturally led Towergate to give more detailed replies. But when Mr T got his original quotation, when contents was mentioned, he didn't ask any questions, but selected £10,000 without much hesitation. So I don't think Towergate did anything wrong by not going into more detail.

I can understand why Mr T is upset about the position he's ended up in here. And I accept that, as a new business owner, he may have been unfamiliar with how business insurance worked. But I don't think Towergate has acted unfairly or breached its duty of care. So I'm not going to ask them to do anything more.

my final decision

For the reasons I have given, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T, on behalf of O, to accept or reject my decision before 11 January 2018.

Louise Bardell
ombudsman