Financial Ombudsman Service

complaint

Mr L and Miss S consider Bank of Scotland plc, trading as Halifax (“Halifax”) mis-sold them two home insurance policies.

background

In 2008, Mr L and Miss S took out a home insurance policy through Halifax. The policy provided buildings and contents cover. It also included legal expenses cover. The policy cost £324.53. By 2011, the policy cost £473.38.

In 2012, Mr L and Miss S removed the legal expenses cover, no claims discount protection and also amended the details of the property. This resulted in the premium going down to £352.61.

In 2013, Mr L and Miss S moved property. They took out another policy through Halifax and cancelled the earlier policy. Their new policy provided buildings and contents cover and cost £286.28.

Both policies provided ‘unlimited cover’. And both sales were conducted in branch.

Mr L and Miss S chose not to renew in 2016 cancelling their home insurance. Mr L and Miss S subsequently obtained alternative insurance for around £135 for the year. As Mr L and Miss S’s alternative insurance cost less, Mr L and Miss S considered they hadn’t been sold the right policy by Halifax.

Mr L and Miss S say they paid too much for their insurance and this was because both policies they took out provided ‘unlimited cover’ which they didn’t need. They also considered unlimited cover to be false advertising. Mr L and Miss S explained Halifax should have sold them a policy with limited cover – so a buildings and contents insurance policy that provided cover up to a set amount. So Mr L and Miss S say they should be refunded some of cost of the insurance they have paid over the years for both policies.

One of our adjudicators looked at the complaint and thought Halifax hadn’t done anything wrong.

As Mr L and Miss S disagreed, and as the matter hasn’t been resolved, it’s been passed to me for 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 don’t uphold Mr L and Miss S’s complaint. I’ll explain why.

Mr L and Miss S's main concern is about the type of home insurance they were sold by Halifax in 2008 and 2013. I note there was some confusion as to who should be responsible and who the complaint should be against. The policies were sold by Halifax – and not the underwriter/insurer. So Halifax is responsible for answering this complaint.

Halifax has provided information to show in 2008 and 2013 it only offered home insurance that provided 'unlimited cover' in branch. It says other home insurance policies that provide 'limited' cover for a set amount (often referred to as 'sum insured') were available – but these were only available through its online or telephone sales channels.

Mr L and Miss S say information about all Halifax insurance products should be made available in branch. But Halifax could choose what products it wished to offer through its various sales channels.

So, in Mr L and Miss S's case, the only home insurance product available for the adviser to recommend was a home insurance policy that provided 'unlimited cover'. When recommending any insurance product to its customers, Halifax had a responsibility to ensure that its recommendation was suitable.

Mr L and Miss S say the policies recommended weren't suitable as they didn't need unlimited cover. While a policy providing unlimited cover might be more expensive than other types of home insurance policy, this doesn't mean it wasn't suitable for them.

Mr L and Miss S wanted and needed a policy that would insure their home and its contents. And this needed to be affordable to them. The policy they were sold met these needs, so it was suitable. They also had the added assurance that they wouldn't find themselves underinsured.

I'm also mindful that, in 2008, it was noted that the policy was cheaper than Mr L and Miss S's previous policy. And Mr L and Miss S agreed to take out both policies knowing the cost. They didn't have to accept the quotes they were given if they were unhappy with the cost or level of cover.

Mr L and Miss S say that unlimited cover is false advertising. I think it is clear that using the terminology unlimited cover enables an insurer to differentiate between its products. So between an insurer only providing cover up to the set sum insured amount against an insurer covering the total loss no matter the cost. This may not have been explained clearly at the point of sale, but I don't think it would have made a difference to Mr L and Miss S's choice to take out the policies at the time of each sale, for the reasons I have explained above. In short, it was a policy that was suitable and met their needs.

Mr L and Miss S say that the cost of their policies increased over the years – and if they were paying for unlimited cover – then surely the premium should have remained at a fixed amount. But this isn't how an unlimited (or any other type of home insurance) policy works.

The home insurance market has become ever more increasingly competitive. It isn't uncommon for insurers to initially price a policy at a lower cost than the true cost associated with the risk of insuring a property. This is to attract new customers. Insurers aim to keep the consumer and recoup that cost over the subsequent years. I don't think this unfair and it's been confirmed that both policies taken out by Mr L and Miss S in 2008 and 2013 received an initial discount – which would have been recouped over the subsequent years.

Also, even with an unlimited policy, the premium will be based on how much risk the insurer thinks a particular property presents. An insurer will often revisit the risk and premiums may go up or down accordingly. Insurers will assess and treat risk differently – and will charge different premiums based on that assessment of risk. One insurer may think a property poses a significant risk, whereas another insurer might not. Ultimately, it's up to an insurer to decide what it charges for insurance – and I don't have the power to tell an insurer whether that price is right or wrong.

Mr L and Miss S think because they got a new policy around £135 in 2016, this shows they were being overcharged. I do understand why they think this and why they think they may have been overcharged over the years they held the policy.

But I am mindful the new insurance they got with another provider was likely to have included a new customer discount. As I have explained above, I think it's fair that an insurer recoups that discount over the subsequent years. I don't think it's fair to expect an insurer to maintain that discount for the duration someone has their policy. So the new policy Mr L and Miss S obtained, while cheaper at the outset, is likely to increase in price over the coming years.

There could be a number of other reasons why the alternative insurance was cheaper, with different levels of cover, excesses and service available and which can differ from insurer to insurer.

But it doesn't mean Halifax was wrong to recommend its home insurance policy that provided 'unlimited cover' in 2008 and 2013.

Overall, Halifax at the point Mr L and Miss S took out their policies in branch in 2008 and 2013, only offered a home insurance policy that provided unlimited cover. Given what I've said above, I can't fairly say that the policies were unsuitable.

my final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L and Miss S to accept or reject my decision before 18 March 2020.

Matthew Horner
ombudsman