

complaint

Mr M complains Cornish Mutual Assurance Company Limited (Cornish) mis-sold him insurance. He says it gave him incorrect advice about what the amount he insured his buildings for (sum insured) had to cover. It didn't tell him this should include the cost of debris removal. So when his barn was damaged by fire Cornish didn't cover the costs of debris removal. Mr M thinks, because of its mistake, Cornish should pay him what he spent on this.

background

I've attached my provisional decision from January 2016. It forms part of this final decision. In it I set out why I didn't intend to uphold Mr M's complaint.

I invited Mr M and Cornish to provide any further information they'd like me to look at before making a final decision. Cornish didn't add anything. Mr M made some comments. I've considered his main points below.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. This includes Mr M's latest comments.

Having done this, I'm not upholding it.

Mr M's said the final rebuild cost was, at £90,000, lower than Cornish's estimated £105,000. And that was for a higher specification building than the old one. So he wasn't as underinsured as originally thought. I accept that. But he was still significantly underinsured. And I still think this shows he didn't take much care to ensure he had enough cover. So I don't think he'd have arranged for a surveyor to assess the debris removal costs.

He's asked why he wouldn't have included the cost of debris removal when the additional premium would only have been a small amount. But it probably wouldn't have cost him much more to have been fully covered for the costs he did know about. Yet he was still underinsured for these.

Mr M's said he reviewed the sums insured for his buildings every year. He thinks this is evidence he did take care with them. And he says in 2014 he increased the buildings cover. But I said in my provisional decision the evidence doesn't support this. His demands and needs document for that policy year records him as declining the sum insured review recommended by Cornish.

He says he's included debris removal costs in the cover he has with his new insurer. And this shows his desire to be covered now that he knows about the need. But this happened after his experience of being significantly underinsured for a claim. It would be surprising if he wasn't being very careful when setting his sum insured now. But I don't think it supports his view, that before, the claim he would have made sure he was covered for debris removal.

So I think Cornish probably didn't do enough to explain about debris removal costs. But even if it had, I don't think Mr M would have increased the cover he chose for the barn. So Mr M hasn't lost out because of Cornish's mistake.

my final decision

For the reasons given above and in my provisional decision, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 29 April 2016.

Daniel Martin
ombudsman

PROVISIONAL DECISION

complaint

Mr M complains Cornish Mutual Assurance Company Limited mis-sold him insurance. He says it gave him incorrect advice about what the amount he insured his buildings for (sum insured) had to cover. It didn't tell him this should include the cost of debris removal. So when his barn was damaged by fire Cornish didn't cover the costs of debris removal. Mr M thinks, because of its mistake, Cornish should pay him what he spent on this.

background

Cornish had insured Mr M's farm for a number of years. In 2014 a fire badly damaged a barn. The cost of rebuilding the structure of the barn was estimated at about £105,000. And because the roof had been made of asbestos the debris removal cost £28,500. So the total cost is about £135,000. But the barn was insured for only £55,125. Cornish paid Mr M this amount as a cash settlement.

Mr M hasn't complained about the shortfall in the actual rebuild costs. But he thinks Cornish should pay him what he's spent on debris removal. Cornish says it told Mr M what costs should be covered by the sum insured. And that these should include debris removal. It says it was for him to make sure the level of cover he chose was enough.

The adjudicator didn't think the complaint should be upheld. He thought Mr M should have been aware that debris removal needed to be included. Mr M disagreed so the 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.

Having done this, I don't intend to uphold it.

did Cornish tell Mr M that debris removal should be included?

Cornish says that in 2007 it sent Mr M information about what costs should be covered by the amount buildings are insured for. And this showed that debris removal was one of these. It also says Mr M's policy document explained this. But the level of cover for Mr M's buildings is a significant feature of Mr M's policy. So Cornish needed to give a clear explanation of this at each renewal or review. This was particularly important in this case. Cornish provided an advised service. It knew about the asbestos roof. And so should have been aware that debris removal might be costly.

Cornish sent a rep to review Mr M's insurance once or twice a year. Mr M says the rep told him he had to '*allow enough money to rebuild the buildings*'. But the rep never suggested he should include any other cost, like debris removal.

The rep says he would have told Mr M he needed to '*...allow for removal of existing materials and then rebuild the shed*'. And he says he's '*pretty sure*' the high cost of removing asbestos was mentioned. I can't know for certain what the rep did tell Mr M. There aren't any

records of what was said or explained. And Cornish hasn't provided anything that shows what it tells its reps to say.

Overall Cornish hasn't done enough to make me think it probably did explain that debris removal should be covered. But we only uphold a complaint when a consumer has lost out because of something a business has done wrong. So I need to look at what I think would have happened if Cornish had told Mr M about the debris removal.

would Mr M have acted differently if he'd been told about debris removal?

Mr M says that if he'd been told about the debris removal costs he'd have insured the barn for a higher amount. But I think he probably wouldn't have. From what I've seen it doesn't look like he was too concerned about making sure he insured his buildings for a high enough amount. So I don't think being told about the debris removal would have made him increase the barn's sum insured.

I accept Cornish gave Mr M an incomplete explanation of what costs should be covered. But the barn wasn't insured by anywhere near enough to cover even the rebuild costs he knew about. It was only around half of what was required, being about £50,000 too low. Mr M says this isn't relevant to his complaint. But I don't agree with him. I think it shows he didn't take much care to ensure he had enough cover, or that he was quite happy to be significantly underinsured.

Mr M's said he would need an expert like a surveyor to tell him how much the asbestos debris removal might cost. I agree this would probably be needed. But it looks like he was unable to accurately estimate the cost of rebuilding. But he didn't seek the advice of a surveyor for this. So I don't think it's likely he would have done so to find out the cost of the barn's debris removal.

Mr M says he did take care over the level of cover he chose for his buildings. The fire was covered by his 2014 policy. He's said that at a review, for that policy year, Cornish's rep gave him an incomplete explanation about what costs to include. And because of the explanation he increased the cover for the barn from £35,000 to £55,000. If this had happened it may show Mr M did take some care over the level of cover. But I haven't seen anything that supports what he says. The barn's individual sum insured had been set at £50,000 a couple of years before. So it was probably far too low even then. Cornish increased it automatically by about 5% per year. It was actually this that took it up to the £55,125 paid by Cornish.

Instead, it looks like Cornish recommended, for the 2014 policy, that the cover for Mr M's group of buildings, including the barn, be reviewed. A "demands and needs" statement, signed by Mr M, shows he declined this. So even when Cornish said he should review the sum insured he didn't. So I don't think he was too concerned about making sure he had the right level of cover.

Overall I can't say Mr M probably would have increased the cover for the barn. So I don't think he's lost out because of Cornish's mistake. And it doesn't need to pay his debris removal costs.

my provisional decision

For the reasons given above, I don't intend to uphold Mr M's complaint.

Daniel Martin
ombudsman