

complaint

Mr B is unhappy with Millennium Insurance Company Limited's handling of his storm damage claim under his home insurance policy.

background

Millennium originally declined Mr B's claim but after Mr B brought it to this service the claim was upheld and Millennium was required to deal with it. When it did the calculations Millennium said that Mr B was underinsured and made deductions to the potential settlement amount it was willing to pay. Mr B didn't accept this and brought a new complaint to this service.

Our adjudicator upheld the complaint. He wasn't provided with any evidence of the questions Mr B was asked at the start of the policy. Therefore, he felt he had no choice other than to suggest that Millennium had acted unreasonably and so it should pay the claim value without an underinsurance deduction. Millennium said it was going to provide more evidence but never did and so the complaint was passed on for a final decision from an ombudsman.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

A regular approach at this service is to be certain that policyholders were asked clear questions at the start of the policy so they could make an informed choice. If insurers can show that the question was clear and it was the policyholder who got things wrong then complaints generally won't be upheld. When it comes to underinsurance the question about how the sum insured is reached is crucial. In this case we are referring to the buildings sum insured. But this service hasn't been provided with any information to show that a clear question was asked about the sum insured. Therefore, Millennium has acted unreasonably in applying underinsurance to Mr B's claim.

Our adjudicator provided Millennium with specific details of the sorts of points the question would need to show for this service to decide whether or not the question was clear. However, nothing has been forthcoming from Millennium. There has been no sign of the policy wording to show that there was an underinsurance clause either. Finally, the loss adjuster would have done a calculation to show what it considered to be the true value (value at risk) of the building sum insured but again no details were passed to this service. Millennium has had plenty of opportunity to provide this service with evidence. As it hasn't done so this suggests that it doesn't have details to support its decision and it hasn't acted fairly in this case.

Therefore, I find that Millennium should settle the claim without any underinsurance calculations being applied. The only evidence that I can go on is the Millennium amount of £4,085.77 which was the amount prior to applying underinsurance. To this Millennium should add 8% simple interest per year from the date of loss to the date of settlement. Added to the final sum should be the previously agreed £150 compensation for the original complaint if this hasn't already been paid.

my final decision

I uphold this complaint.

I require Millennium Insurance Company Limited to:

- pay £4,085.77 in settlement of the claim;
- add interest at 8% simple per year from the date of loss to the date of settlement, less any tax properly deductible.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr B to accept or reject my decision before 22 January 2016.

John Quinlan
ombudsman