

complaint

Mr S complains that Towergate Underwriting Group Limited won't pay the full amount of his claim on his building insurance following a fire at his house.

background

Mr S rented his house out and when the tenancy was about to end the house was damaged by fire. Towergate appointed loss adjusters who visited to assess the damage. The loss adjusters said Mr S had underinsured the house by about 50%.

Towergate made payments towards Mr S's contents and fees, and for five months loss of rent. It said because he'd underinsured his house it had applied the average clause within the policy to its calculation of rebuilding his house. This means it only had to pay the same proportion for the rebuild as Mr S had insured the house for, against its proper rebuild value.

Mr S's policy states:

UNDERINSURANCE

The liability of insurers shall not exceed such proportion of any loss or damage as the sum(s) insured bears to the full cost of reconstruction in its present form for each premises separately stated in the schedule.

Mr S said when he took the policy out he was advised by the broker to give the market value but never the rebuild cost. He said he should receive loss of rent up until the repairs to his house are completed.

The adjudicator said Towergate was provided with a rebuild value about half that suggested by the professional guidance and it correctly applied the average clause within the policy terms. She said the complaint about the advice provided by Mr S's broker about the rebuild value of his house would need to be brought as a separate complaint about the broker.

A second adjudicator looked at the loss of rent. He said it took Towergate five months to make an offer and allowing three months for Mr S to put his house back on the market, loss of rent should be paid for eight months, together with interest.

Towergate agreed, but Mr S didn't. He said Towergate had overvalued his house and that had unfairly decreased his claim. Mr S obtained his own professional valuation that put the rebuild cost close to Towergate's valuation, but put the market value at considerably less. He said he should be paid more for his loss of rent.

my findings

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

I've looked at Mr S's policy and Towergate's calculation of his claim. The average clause is a standard term in building insurance policies and protects insurers from paying claims beyond the amount of risk they thought they were insuring. Mr S's policy is clear that the value required is for rebuild purposes and this is explained within the policy documents. I think that Towergate has acted correctly in following the terms of the policy.

Towergate has used the industry standard valuation tool to calculate the rebuild cost of Mr S's house. Towergate and Mr S's surveyor reached very similar values for rebuild purposes and I'm satisfied that the sum applied to the calculation of under-insurance by Towergate is reliable. I'm also satisfied that Towergate has followed the standard calculation in applying the average clause to its offer of settlement to Mr S.

I sympathise with Mr S for the predicament he has found himself in but it should be borne in mind that the onus is on the policyholder to ensure that their cover is sufficient.

I've looked at Mr S's loss of rent and I think that it's fairer that this should take into account the time taken by Towergate to make a decision on the claim as well as reasonable time to get the house back on the market following settlement of the claim. I think this should be for a total of eight months, at £350 per month, amounting to a loss of £2,800. I think interest should be added as Mr S has been without the money for a considerable period of time.

Mr S has brought a separate complaint about the information and advice he was given by the broker when he arranged the policy.

my final decision

For the reasons I have given it is my final decision that the complaint is upheld in part. I require Towergate Underwriting Group Limited to pay Mr S £2,800 for his loss of rent. Towergate Underwriting Group Limited must also pay interest on this amount at the simple rate of 8% per year from the date each rental payment would have been paid to the date it makes the payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 23 December 2016.

Andrew Fraser
Ombudsman

*HM Revenue and Customs requires Towergate Underwriting Group Limited to take off tax from this interest. Towergate Underwriting Group Limited must give a certificate showing how much tax it's taken off it if Mr S asks for one.