

complaint

Mrs T complains that Liverpool Victoria Insurance Company Limited (LV) mis-sold her contents insurance policy. As a result, she was underinsured. This means she will not get everything she claimed for following a theft at her home.

background

Mrs T rang LV in June 2013 to ask for a quote for buildings and contents insurance. She noted the details of the quote, and then accepted it. LV sent her the policy documents.

In July 2013, Mrs T's house was burgled. She made a claim to LV for the theft. She sent LV the details and the value of all her stolen items. It then told her that she was underinsured for the value of her contents. Because of this, it told her that it would only settle a proportion of her claim, based on the amount by which she was underinsured.

Mrs T was unhappy with this, and so complained to this service. Our adjudicator listened to the sales call. She decided that Mrs T *had* been advised on the contents limit by LV's sales adviser. In particular they did not ask her detailed questions about her contents. They assessed this on her circumstances and type of property. She said that she thought the value was enough, but it was probably less than a third of what it should have been. Crucially, Mrs T would not have had to pay a higher premium if she had insured her contents for a higher limit.

Our adjudicator upheld the complaint and asked LV to consider her claim as if she had had the higher limit. LV disagreed, saying that Mrs T had said she was happy with the limit. It said what it may charge for policies with a higher limit is a matter for its commercial judgment. The complaint has been passed to me for a final decision

my findings

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

The most important thing for me to consider is what happened when Mrs T got a quote for home insurance over the phone. Normally LV would not consider itself to be advising the customer. It asks a series of questions and, depending on the answers, will offer a policy. Matters like the value of the contents are left for the customer to decide following some guidance from the insurer.

Here the questions asked about contents were:

"Now did you wish to cover any items worth more than £1500 each?" Answer "No".

"Did you want to cover any items to take outside the home?" Answer "No".

"And did you wish to cover any bicycles you take outside the home?" Answer "No".

"So using the information you've given, my systems calculate your total amount of contents cover to be £18,000, is that enough?" Answer "Oh I'm sure it is".

I see that no effort was made to advise Mrs T how to check the value of her contents. LV's system calculated it on the size and value of her property and that she was one person. I think she was at least encouraged to think that the figure put forward was enough. I have checked for myself some online contents calculators. Most insurers offer either "*bedroom*

rated" values, based on the number of bedrooms. Or they calculate the cover based on the customer valuing their own contents.

As LV didn't ask Mrs T any other questions, I think the cover for contents was set using a "*bedroom rated*" type formula. I think that LV has produced a result which meant that Mrs T was grossly underinsured, through no fault of her own. I note especially that LV offers cover of £50K for the same premium. I think that for most people living in Mrs T's area £18K cover is not enough. I think LV could and should have offered Mrs T the higher cover.

This is not questioning its commercial judgment – it is just plain common sense. LV knows the market and the problems of underinsurance, Mrs T does not. I think it should consider her claim up to the higher limit. I would suggest that LV review its guidance to customers in this respect

I also think that Mrs T has been caused some anxiety and inconvenience, because LV has said it will only pay her a proportion of her loss. For this I think it should pay her compensation of £150. LV objects to this as it says that Mrs T's son is holding matters up. I am not awarding it for delay. But I can understand it if Mrs T does not want to continue with her claim until she knows what the limit is.

my final decision

My final decision is that I uphold the complaint.

I direct Liverpool Victoria Insurance Company Limited to:

- consider Mrs T's claim using a contents limit of £50,000.
- pay Mrs T £150 for the anxiety and inconvenience caused to her by its mis-sale of the policy to her.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs T to accept or reject my decision before 11 May 2015.

Ray Lawley
ombudsman