

complaint

Mr S and Miss H are unhappy with the advice they received from Countrywide Principal Services Limited ("Countrywide") when they sold them their home contents policy. They want Countrywide to cover any shortfall in a claim they have made.

background

I've looked at Mr S and Miss H's complaint before and made a provisional decision dated November 2015. I've attached a copy of my provisional decision to this final decision so I won't repeat what I said in my provisional decision.

Mr S and Miss H responded to my provisional decision with a letter from the loss adjuster. They say this letter shows how much they were paid by their insurer and how their claim was affected because they were underinsured. A copy of this letter was sent to Countrywide. Mr S and Miss H said that they didn't have anything else to add.

Countrywide called to ask our adjudicator a question about when the interest should be calculated from and to. No other questions were asked and no other comments were made. They neither accepted nor rejected my provisional 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.

Countrywide received my provisional decision and were given an opportunity to respond with any comments or further information they wished. They knew when they needed to respond by so, I don't think it matters that they've neither accepted nor rejected my decision.

Neither Mr S and Miss H or Countrywide said anything that makes me think that the conclusions I reached in my provisional decision should be changed in any way, so I stand by them.

I think the letter Mr S and Miss H sent me shows that because they were underinsured they lost out on £7,987.24. It follows that I think Countrywide should pay them this amount plus interest and £300 compensation. I still think it's fair for Countrywide to deduct any additional premium Mr S and Miss H would have been charged had they had the higher level of contents cover during the first year of the policy.

I'll quickly address how interest should be calculated. Countrywide need to pay Mr S and Miss H interest at 8% simple on £7,987.24 from the date of the fire to the date they pay them.

my final decision

My final decision is that I uphold this complaint and require Countrywide Principal Services Limited to:-

1. Pay Mr S and Miss H £7,987.24 plus simple interest at 8% from the date of loss to date of payment[†]. Countrywide can deduct from this payment any additional premium they would have charged for the higher level of contents cover during the first year of the policy.

2. Pay Mr S and Miss H £300 in compensation for the stress and inconvenience this situation has caused them.

† HM Revenue & Customs requires Countrywide to take off tax from this interest. Countrywide must give Mr S and Miss H a certificate showing how much tax it's taken off if they ask for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Miss H to accept or reject my decision before 18 January 2016.

Lisa Wright
ombudsman

copy of provisional decision

complaint

Mr S and Miss H are unhappy with the advice they received from Countrywide Principal Services Limited ("Countrywide") when they sold them their home contents policy. They want Countrywide to cover any shortfall in a claim they have made.

background

Mr S and Miss H received advice from Countrywide about their mortgage and contents insurance in March 2014. I can see that their contents policy started in April 2014. I understand that after their policy was taken out and before they renewed their policy in April 2015, there was a fire at their home. As a result, their contents were damaged. And they've been told that they are underinsured by around 50%.

Mr S and Miss H say that they went to Countrywide because they were first time buyers and wanted advice on various aspects of this process. Countrywide have confirmed it was an advised sale – meaning that their advisor takes responsibility for advising them about the right type of insurance to take. But they say their consultant wouldn't have been able to advise Mr S and Miss H about the level of cover for their contents because they wouldn't have seen the possessions to be covered.

Countrywide say it was Mr S and Miss H's responsibility to review the level of cover that they agreed to and decide if this was adequate or not. And they would have been aware of the need to do this because the statement of facts they were later sent warned them that if any information wasn't correct, it could result in a lack of cover in the event of a claim. Countrywide have referred me to the contents of other documents sent.

Mr S and Miss H accept that they agreed to the level of cover they had. But they say they didn't know they should question the level recommended to them because it wasn't explained how they should calculate their level of cover. They've also told me that they didn't receive the contents policy document after the sale.

Our adjudicator looked at this complaint and thought it should be upheld. Because Countrywide didn't agree, this 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.

Mr S and Miss H questioned why they'd been sold separate buildings and contents insurance policies. I'm happy with the explanation Countrywide gave for this and don't think Countrywide did anything wrong in doing this.

Countrywide have told me that when the contents insurance was discussed, their 'point-of sale-system' would refer to guidance issued by the Association of British Insurers for the purposes of determining a minimum level of cover as a starting point. And for Mr S and Miss H's property, this would have been £13,000. But Countrywide's default amount was £15,000. So the level of cover Mr S and Miss H had was Countrywide's default minimum amount. Countrywide have also said that their *"point of sale system confirms that the customer has accepted our recommendation"*. Mr S and Miss H don't deny that they agreed to the £15,000 cover that was recommended.

It seems to me that Countrywide, in giving the recommendation, had to make sure they were recommending a suitable level of cover for Mr S and Miss H. From what Countrywide have told me, I can't see that their advisor asked Mr S and Miss H any questions to be able to arrive at a suitable level of cover for them. I accept that their advisor wouldn't have known what possessions they had.

That's why he needed to ask them relevant questions about this before making a recommendation. Countrywide say that it was Mr S and Miss H's responsibility to review the level of benefit that had been recommended and decide whether it was adequate for them or not. I disagree. This was an advised sale and I think Mr S and Miss H reasonably accepted the recommendation they were given and had paid for in the absence of the appropriate advice and questioning of the person that sold them the policy.

In addition, Countrywide needed to give Mr S and Miss H information on how to calculate the level of cover they would need and be told about the consequences of being underinsured. It doesn't appear that Countrywide's advisor gave them this information at the time of their discussion. Countrywide say this information was provided to Mr S and Miss H after the sale in the documents they received. I don't need to decide what documents Mr S and Miss H received and when. Because even if Mr S and Miss H did receive all the documents Countrywide say they sent, I can't see how Mr S and Miss H's attention was drawn to the information on page three of the policy document. And in any event I think it should have been done by the advisor when selling the policy.

Had these failings not occurred during the sale, I don't think Mr S and Miss H would have been underinsured. I think they'd have paid the extra premium for the additional cover they needed. I say this because when they realised they were underinsured, they increased the level of cover (and presumably paid the additional premium this generated). Countrywide say the fact Mr S and Miss H renewed their policy with them suggests they had faith in the service they received. I don't think it does for the same reasons as the adjudicator has explained.

what Countrywide need to do to put things right?

Our adjudicator required Countrywide to pay the shortfall on Mr S and Miss H's claim. And if a cash settlement was made, to pay interest at 8% on this sum from the date of loss to the date when the settlement is paid. Since the adjudicator issued their view, Mr S and Miss H have agreed a sum with their insurer on the value of their claim. But because they were underinsured, they're only being paid half of this amount. They've told me that they've lost out on £7,987.24.

Mr S and Miss H have told me that they had to use their credit cards and take a family loan to buy replacement items whilst waiting for their claim to be paid. Because they didn't want to delay their complaint they decided not to send me any further information on this point. So, on the information I've got, I don't think it's fair and reasonable to ask Countrywide to pay them anything towards the cost of this credit. But I have thought about what interest Countrywide should pay them.

Our usual approach is to ask a business to pay from the date of the loss (when the fire happened). I think this is fair and reasonable in the circumstances because Mr S and Miss H have told me about the delay they've experienced in their claim being dealt with because of the underinsurance issue.

If Countrywide would have charged an additional premium for the higher level of contents cover during the first year of the policy, I think it's only fair and reasonable that they deduct this sum from the amount they need to pay Mr S and Miss H.

Mr S and Miss H have told me that they've found this situation very upsetting. And Miss H was signed off from work with stress for a number of weeks. I also understand that they found it very embarrassing to be borrowing money from their parents – they wanted to be independent of them. So, I think Countrywide should pay them £300 in compensation.

my provisional decision

My provisional decision is that I uphold this complaint and require Countrywide Principal Services Limited to:-

1. Pay Mr S and Miss H £7,987.24 plus simple interest at 8% from the date of loss to date of payment. Countrywide can deduct from this payment any additional premium they would have charged for the higher level of contents cover during the first year of the policy.
2. Pay Mr S and Miss H £300 in compensation for the stress and inconvenience this situation has caused them.

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