

## **The complaint**

Mrs J complains about the information Millennium Insurance Brokers Ltd trading as Simple Landlords provided on the sale and renewal of her commercial property insurance, which led to her being underinsured.

## **What happened**

Mrs J has a property which is rented to tenants. In 2008 she took out a landlord's insurance policy for the property, which she bought through Simple Landlords. She renewed the policy each year after that.

In 2021 Mrs J made a claim on the policy after possible subsidence damage was identified. She was then told the property was underinsured, as the rebuild cost was still set at £90,000 – the amount she had given when she bought the policy – while the estimated rebuild cost would now be higher. Because Mrs J was underinsured, the insurer didn't pay the full value of the claim and she had to pay some of the repair costs herself.

Mrs J complained that she had not been given appropriate information when she renewed the policy year each year about increasing the rebuild cost.

In its final response to her complaint, Simple Landlords said Mrs J was made aware by the information provided at each renewal that it was her responsibility to ensure the building claim limit in the policy documents reflected the rebuilding cost.

When Mrs J referred the complaint to this Service, our investigator said Simple Landlords had not provided enough information to Mrs J to enable her to provide a fair presentation of the risk to be covered; the information provided didn't allow Mrs J to understand what was needed and Simple Landlords should have done more to inform her what information the insurer needed.

The investigator asked Simple Landlords to reimburse the difference in the claim value, which Mrs J had had to pay herself, and pay compensation of £250 for the distress and inconvenience caused to her.

Simple Landlords agreed to pay the compensation of £250 but not the difference in the claim value. It said:

- the wording at renewal was not as clear as it should be, and should have been worded to reflect that the buildings sum insured should be based on the rebuild value of the property;
- but it wasn't proportionate for it to have pay all of the shortfall – Mrs J also had some responsibility to ensure she had adequate insurance.

Simple Landlords offered to pay a contribution of 50% towards the amount Mrs J had to pay towards the claim but she didn't accept that offer.

The investigator still thought Simple Landlords should reimburse the full amount to Mrs J, while Simple Landlords maintains that a 50% contribution would be fair.

As no agreement has been reached, I need to make a decision.

### **What I've decided – and why**

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

This was a commercial contract so the relevant law is the Insurance Act 2015, which requires the insured to make a fair presentation of risk.

Although the insurer dealt with the claim, it wasn't responsible for the sale of the policy to Mrs J.

Simple Landlords says Mrs J didn't give an accurate figure for the rebuilding cost of the property. Estimating a rebuild or replacement cost isn't a matter of fact, but a matter of expectation or belief. The Insurance Act says every material representation as to expectation or belief is to be made in good faith.

Mrs J was asked about the property and I've considered her response, taking into account how clear and specific the question was, what steps she took to answer it and whether her answer was reasonable in the circumstances.

Mrs J says when she first bought the policy she entered the amount given to her by a surveyor, which was reasonable. The issue is whether that should have been increased at each renewal.

The sum insured is described as a 'Buildings Claim Limit' on the policy schedule. And there is no explanation of what this amount should be or how to calculate it. Mrs J wasn't specifically asked about the rebuild costs or given any explanation of what this was or it how could be calculated. She was asked to confirm the claim limit.

There is an explanation of this in the policy wording but only on page 15 under a section about claims settlement. There's also reference to the clam limit being amended during a policy year in line with index-linking. I don't think that would have made things very clear to Mrs J. If anything, it may have made her think the limit would be adjusted. A customer should be given information that's clear, fair and not misleading, with appropriate support and guidance so they understand what information they should provide to be suitably insured. Mrs J should not have been left having to infer what was needed.

Simple Landlords accepts the information given to Mrs J was not as clear as it should have been but says in spite of that, she should still have realised the information she provided wasn't correct.

Taking into account all the information, I don't consider it was clear enough to allow Mrs J to understand what information she was being asked for during the renewal – and as I've said, Simple Landlords accepts this and has said it should have been worded to reflect that the buildings sum insured should be based on the rebuild value of the property. If that had happened, Mrs J would have understood what was being asked of her.

For these reasons I don't think it would be fair to say Mrs J was not acting in good faith and so should be responsible for not having adequate insurance.

In coming to this view, I've also taken into account that she is not a professional landlord – she has explained that she had to rent out her home due to her personal circumstances. So she's not someone with expertise in property matters, who would have understood that confirming the building claims limit meant providing the rebuild cost, or who might be expected to understand how to calculate rebuild costs.

For these reasons, Simple Landlords should compensate Mrs J for the loss she suffered as a result of the insurer not paying the full value of the claim and, as she's been out of funds as a result, interest should be added to this.

Mrs J has confirmed the total she had to pay herself came to £4,329 so that's the amount that should be paid to her.

It was a shock for Mrs J to find she did not have adequate insurance for her property. The claim settlement was reduced by the insurer and she had to pay the shortfall herself, which was upsetting. A situation that was already difficult was made even worse. I agree a payment of £250 would be fair to compensate her for this distress.

### **Putting things right**

Millennium Insurance Brokers Ltd trading as Simple Landlords needs to:

- pay £4,329 to reimburse Mrs J for the total she had to pay due to the reduction in the claim settlement, together with interest from the date she paid those costs to the date of payment at 8% a year simple\*; and
- pay compensation of £250 for the distress and inconvenience caused to her.

If Simple Landlords considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs J how much it's taken off. It should also give Mrs J a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

### **My final decision**

My decision is that I uphold the complaint and direct Millennium Insurance Brokers Ltd trading as Simple Landlords to pay the compensation set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 25 October 2024.

Peter Whiteley  
**Ombudsman**