

The complaint

Mrs T complains that Royal & Sun Alliance Insurance Limited (“RSA”) unfairly avoided her home insurance policy and declined her claim after her home was burgled.

RSA is the underwriter of this policy i.e. the insurer. Part of this complaint concerns the actions of its agents. As RSA has accepted it is accountable for the actions of the agents, in my decision, any reference to RSA includes the actions of the agents.

What happened

In late 2021, Mrs T made a claim under her home insurance policy with RSA after her home was burgled. She informed RSA that a number of items had been stolen including jewellery, watches, money, laptops and designer clothes.

Mrs T was asked to provide a list of the items that had been stolen, along with proof of ownership for higher valued items.

RSA established that the total value of Mrs T’s home contents at the time of loss was significantly higher than the sum insured. After giving Mrs T the opportunity to provide her comments, RSA told her that if it had been aware of the total value of her home contents, it would have declined cover from the renewal date of the policy in November 2020. It said Mrs T’s policy would be declared void from that date and it would refund her premium. It said it was unable to deal with Mrs T’s current claim as there was no insurance cover from the date of the avoidance.

Mrs T raised a complaint, but RSA maintained its position. So, she asked our service to consider the matter.

I issued a provisional decision on 7 March 2024, where I explained why I intended to uphold Mrs T’s complaint. In that decision I said:

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

Based on what I’ve seen so far, I intend to uphold Mrs T’s complaint. I’ll explain why.

The relevant industry rules say an insurer should handle claims promptly and fairly and it shouldn’t unreasonably reject a claim.

RSA says the value of Mrs T’s contents at risk was £151,000 but the sum insured on the policy was only £75,000.

Mrs T doesn’t dispute what RSA has said about the total value of her contents. I can see that RSA asked her for a written explanation as to why she failed to accurately disclose the true value of her jewellery and general home contents. In response, Mrs T said she wasn’t aware of the value of all of the items until she was required to provide details and receipts for them

after the burglary. She said the items were accumulated over a period of time and the majority were gifts from relatives.

RSA says Mrs T initially took her policy out via a financial advisor in 2013 and renewal documents were sent out by an intermediary each year. It says each year Mrs T would have been reminded by the intermediary to let it know of any changes in circumstances. There were two options of cover for contents under the contract of insurance - £50,000 or £75,000.

RSA has provided a copy of the renewal documents Mrs T was sent in 2020 offering insurance for the period 11 November 2020 to 10 November 2021. I can see that Mrs T was sent a policy certificate, a key facts document and various Insurance Product Information Documents (IPIDs). The covering letter included a link to download the latest policy wording.

RSA says if it had known the true value of Mrs T's home contents it would not have accepted the risk.

The onus is on the insurer to ensure that all material information is obtained through questions put to the consumer. At renewal it might send out a statement of facts or details of all the information it holds about the consumer and any other parties insured under the policy. It might ask the policyholder to check it and confirm the information or let it know if anything is wrong and requires amendment.

There doesn't appear to be a statement of facts amongst the renewal documentation. The certificate of insurance says: "Contents Cover up to £75,000."

The covering letter says:

"The enclosed documents confirm the specific cover and the key features of the policy you have chosen. We recommend that you review the information we have provided and the cover you have selected and ensure that (the intermediary) continues to give you the cover and protection most suited to your needs. If you have any questions or need to make any changes to your policy just give us a call..."

Please remember to keep us informed about any changes in your circumstances so we can update you on your cover and premium accordingly. If you don't let us know about changes to your situation it could affect any claim you make, or your policy may even be cancelled. Your Policy Booklet provides full information on what changes insurers need to know about and what information you must tell us..."

I note that one of the changes in circumstances a policyholder is required to tell RSA is: "the value of your buildings or contents has increased and your sums insured may no longer be sufficient." There's also wording in the policy booklet reminding a policyholder to make sure their sums insured remains adequate to replace their contents if they buy new items which goes on to say: "if the sum insured exceeds £75,000 (our maximum extra cover) the contents policy would need to be cancelled." However, I don't think this is sufficient to allow RSA to avoid Mrs T's policy.

Mrs T doesn't appear to have been asked any questions about the value of her contents when she renewed her policy in 2020. The renewal documents only showed that cover for her contents was limited to a total of £75,000. If RSA needed to know the full value of Mrs T's contents to decide whether or not to continue to provide her with cover, then it was up to RSA to ask her about this. So, I don't think RSA's decision to avoid Mrs T's policy was fair or reasonable.

There's nothing in the information I've seen to suggest RSA might have any other reason to decline Mrs T's claim. So, to put things right, I think it should reinstate her policy and settle her claim in line with the policy's terms and conditions.

I can see that Mrs T told RSA that its delay in dealing with the claim has caused her an enormous amount of stress and anxiety. RSA doesn't agree it's responsible for avoidable delays. It says the claim needed to be validated by several specialists. Its investigation of the claim included a video call and it needed to appoint a translator because receipts for certain items were in a different language. It then needed to deal with the underinsurance concern.

I appreciate that progress of the claim was impacted by various aspects. However, it took RSA around eight months to reach an outcome which was unfair. RSA estimated the value of Mrs T's stolen contents to be around £87,000. Given the high value of the claim, I think it would have been particularly distressing for Mrs T to be told that RSA wouldn't be settling it. So, I think it would be fair for RSA to also pay Mrs T £500 for distress and inconvenience."

I set out what I intended to direct RSA to do to put things right. And I gave both parties the opportunity to send me any further information or comments they wanted me to consider before I issued my final decision.

Responses

Mrs T's representatives confirmed receipt of my provisional decision and said they had no further information or comments they would like me to consider.

RSA confirmed it accepted my 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.

As both parties accept the conclusions I reached in my provisional decision, I see no reason to change them.

Putting things right

RSA should:

- Reinstate Mrs T's policy for the period 11 November 2020 to 10 November 2021.
- Settle Mrs T's claim, in line with the policy's terms and conditions.
- Remove any record of Mrs T's policies being avoided or cancelled from any internal or external databases.
- Pay Mrs T £500 for distress and inconvenience.

My final decision

For the reasons I've explained, I uphold Mrs T's complaint and direct Royal & Sun Alliance Insurance Limited to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 11 April 2024.

Anne Muscroft

Ombudsman