

The complaint

Mr and Mrs S complain that Royal & Sun Alliance Insurance Limited mis-sold their home insurance policies and add-on legal cover.

Mrs S is a joint policyholder. I'll mainly refer to Mr S in my decision as he referred the complaint to us.

What happened

In September 2020, Mr S took out home insurance with RSA for his grade-II listed building. He didn't take out add-on legal cover at the time. The policy renewed in 2021 and 2022.

In June 2023, Mr S asked RSA to add legal cover to his policy. He went on to make a claim on this legal cover. He wanted help with a dispute against a firm that had carried out improvement works to his windows and doors.

RSA declined this claim because the legal cover excluded disputes about home improvements that needed planning permission. Mr S didn't think this was fair. He complained about the decline, and he said his policy must have been mis-sold. He said RSA knew the property was a grade-II listed building so he would need to carry out improvement works.

RSA considered the complaint and didn't change its stance. Regarding the sale of the policy, RSA said it isn't a 'home improvements policy'. It said it covers insured events listed in Mr S's policy documents and there's no cover for wear and tear and maintenance.

Mr S didn't think he'd been treated fairly so he referred the matter to the Financial Ombudsman. We set up two complaints. One to consider the declined legal claim and one to consider the sale of the policies.

Our investigator looked into the way RSA sold the policies. She thought RSA had given Mr S appropriate information and she didn't think RSA had acted unfairly.

Mr S didn't agree and asked for an ombudsman's review. So, the complaint has been passed to me to make a final 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.

Having done so, I'm not upholding the complaint for broadly the same reasons as our investigator. I know this will be disappointing for Mr S and I'm sorry about that. I've focused my comments on what I think is most relevant. If I haven't commented on a specific point, it's because I don't believe it affects what I consider to be the right outcome.

I want to clarify the scope of my decision. I'm considering the way RSA sold these policies to Mr S. Mr S's complaint arose in large part because RSA had declined a claim. I understand RSA has also declined another claim, this time relating to storm damage, which has led Mr S to become increasingly concerned that his policies were mis-sold. I want to be clear that I am not considering those claims in my decision here. Our service is considering (or has already considered) them separately. I'm only looking at how the policies were sold.

RSA sold these policies to Mr S on a 'non-advised' basis. This means RSA needed to give Mr S clear, fair, and not misleading information so that he could make an informed choice about whether to go ahead with cover. RSA did not give Mr S advice about whether the policies were suitable for him and his building. This is important because Mr S has said RSA shouldn't have sold him these policies because of the building's listed status. But RSA wasn't responsible for making sure the policies were suitable for Mr S. This was Mr S's responsibility.

I've reviewed the documents RSA sent to Mr S at the time of purchase in 2020 and at each renewal. The documents offered what I consider to be clear, fair and not misleading information about the features and limitations of cover, as well as the full policy terms and conditions for Mr S to review.

In terms of the legal cover, Mr S called RSA to add this to his policy, so RSA didn't sell the cover in the typical sense but added it at Mr S's request. I can see RSA sent Mr S a new policy schedule to confirm that the legal cover had been added. This document gave an overview of the legal cover and said, "Further details of these and other benefits can be found in your Policy Wording." I can also see the policy wording set out the full terms and conditions for Mr S to consider.

In terms of the exclusion relating to improvement works that need planning permission, I understand this is at the heart of Mr S's complaint. But I don't think the exclusion means the cover was mis-sold. Industry rules say that significant terms need to be brought to a customer's attention. For verbal sales, a significant term would be one that would tend to affect the decision of customers generally to buy the policy. But, this particular exclusion related to one aspect of one part of the legal cover – i.e. faulty goods disputes for home improvement works. So, I don't think the exclusion was a significant term that needed to be brought to Mr S's attention.

Further, even if RSA did bring the exclusion to Mr S's attention, I don't think it would have made a material difference to his decision to take out the cover. I say this because Mr S has said his property's listed status means that he needs building consent, rather than planning permission, for improvement works. I can also see our service has agreed with this. So, I don't think knowing more about an exclusion relating to works that need planning permission would have changed Mr S's mind even if he'd been given more information about it.

With this in mind, I don't think the legal cover was mis-sold and I don't think Mr S would in any case have acted differently if he'd known more about what the cover provided. In terms of Mr S's comments about wear and tear, I think there has been some confusion here. When RSA responded to Mr S's complaint, it said his policy does not cover home improvement works, maintenance or wear and tear. But I don't think this was relevant to Mr S's complaint about his legal cover. I think RSA misunderstood Mr S's complaint.

Even so, RSA is correct that Mr S's buildings insurance does not cover damage caused by wear and tear. This is a standard exclusion, and I don't find it unusual. I've reviewed the policy documents that RSA sent to Mr S each year and they explained that the policies don't cover normal use or ageing, maintenance, or anything else which happens gradually. Mr S's policy booklets each year also confirmed the same. I think this was made reasonably clear.

While this wasn't relevant to Mr S's legal claim, I understand Mr S has had a buildings claim declined, and wear and tear was a part of this. But I don't think that this means the policies were mis-sold.

Mr S says RSA has now declined his legal claim because of when he added the legal cover. This falls outside the scope of the complaint I'm considering here, so I can't comment on it.

I appreciate this isn't the answer Mr S was hoping for. But I'm satisfied RSA sold Mr S's policies fairly. So, I'm not telling RSA to do anything further in relation to this complaint.

My final decision

For the reasons I've given, I don't uphold Mr and Mrs S's complaint about Royal & Sun Alliance Insurance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 14 January 2025.

Chris Woolaway
Ombudsman