

complaint

Mrs R has complained about the decision taken by Lloyds Bank General Insurance Limited to cancel her home insurance policy.

background

I have previously issued a provisional decision regarding this complaint. The following represents excerpts from my provisional decision, outlining the background to this complaint and my provisional findings, and forms part of this final decision.

I should clarify that since I issued my provisional decision, there has been a small change to the name of the underwriter of Mrs R's policy, so that it is now Lloyds Bank General Insurance Limited. To reflect this in the excerpt below, I have altered the shortening of the name of the business from that used in my provisional decision:

"In February 2008 Mrs R moved her household insurance cover from her existing insurer to a policy underwritten by Lloyds Bank. In May 2008 she advised Lloyds Bank that she had noted cracking in a wall. A surveyor appointed by Mrs R considered that the cracking indicated there had been movement to the home in the past, and that this was still ongoing.

Lloyds Bank appointed a loss adjuster to investigate the claim. His view was that the cracking was evidence of old movement associated with a previous leakage of drains and of the water main. He suggested that the property had not suffered from subsidence whilst Lloyds Bank had insured it, and he declined the claim on this basis.

I understand that Mrs R renewed her cover underwritten by Lloyds Bank in 2009, 2010 and 2011. In January 2012, Lloyds Bank wrote to Mrs R to inform her that it was cancelling her policy back to its renewal date in 2011 and refunding premiums paid to her. It stated that Mrs R had not told it that she had made a subsidence claim to her previous insurer just days before she moved her insurance to Lloyds Bank in February 2008. Lloyds Bank's actions subsequently caused Mrs R difficulties when she attempted to arrange replacement insurance with another provider, as it is known that it can be difficult to arrange new insurance after an insurance company has cancelled a policy.

Mrs R complained to Lloyds Bank about its cancellation of her policy. Lloyds Bank responded in February 2012 to state that it considered it had acted correctly. However, after Mrs R had referred her complaint to this service, Lloyds Bank confirmed that it had altered its stance, and that it was now prepared to reinstate Mrs R's policy back to when it was cancelled. It offered Mrs R compensation of £100, and stated that it only required Mrs R to pay 50% of the annual premium due for the policy year 2011/12.

Our adjudicator considered Lloyds Bank's offer to be a reasonable one. However Mrs R rejected the offer, highlighting her dissatisfaction with the way she had been dealt with at her local Lloyds Bank branch when attempting to discuss her problems regarding her insurance arrangements.

Mrs R has asked that Lloyds Bank remove her name from the database of cancelled insurance policies to make it easier for her to take out new insurance. She would like the compensation offered for distress and inconvenience caused to her to be increased, and has also asked Lloyds Bank to make a payment to her in relation to the subsidence claim that she made.

In recent correspondence with this service, Lloyds Bank has agreed to withdraw its offer of £100 compensation together with a 50% premium discount for the policy year 2011/12, and to replace this with a compensation payment of £350 to reflect distress and inconvenience caused to Mrs R.

my provisional findings

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

When Lloyds Bank cancelled Mrs R's policy back to 2011, I understand that this was the result of it checking the insurance industry's database of recorded claims. On the database it found an entry suggesting that Mrs R had made a subsidence claim to her previous insurer in 2008 before she moved her insurance to Lloyds Bank. Lloyds Bank considered that Mrs R had failed to tell it about this claim when she moved her insurance to it in 2008. Mrs R has stated that she only made one subsidence claim, this being the claim reported to Lloyds Bank in May 2008 after she discovered cracking at her property.

Our investigations suggest that it is likely that the entry Mrs R's previous insurer added to the industry database in 2008, and which Lloyds Bank relied upon when it decided to cancel the policy, was made in error by the previous insurer. Had Lloyds Bank sought further comment from Mrs R regarding previous insurance claims she had made, rather than cancelling her policy, it seems that Mrs R would have explained that she had never made a claim to her previous insurer.

Further investigations by Lloyds Bank would then have revealed that the database entry had been made by the previous insurer, but only because Lloyds Bank had told it about Mrs R's claim in 2008 as it wanted the previous insurer to reimburse it with half of any claim costs it might later pay out. In error, the previous insurer then added details of the claim to the database. This made it look like Mrs R had made a separate subsidence claim to her previous insurer in 2008 as well as to Lloyds Bank, but it seems that this was not the case. Mrs R may wish to approach her previous insurer regarding having this database record corrected, and if she does so, I would expect Lloyds Bank to provide any assistance that it can to address this matter.

My view is that Lloyds Bank's failure to clarify this issue with Mrs R prior to cancelling her policy has caused her significant unnecessary distress and inconvenience. I understand that Mrs R's home is currently uninsured due to the difficulties she has encountered obtaining replacement insurance.

Lloyds Bank wrote to this service in March 2012 offering to reinstate Mrs R's cancelled policy at 50% of the premium it was previously charging, and also offered £100 compensation. These offers were rejected by Mrs R. Taking into account the renewal month for Mrs R's insurance policy, the yearly insurance periods of both 2011/12 and 2012/13 have now passed. This being the case, it does not seem logical to look to reinstate cover for these periods.

If these periods of insurance were to be reinstated, Mrs R would have to pay two years' premiums for cover she would now be unlikely to benefit from, as the periods of cover are in the past. In correspondence with this service, Mrs R has indicated that she does not wish to take up the offer of backdated cover. Lloyds Bank has confirmed that it will give consideration to providing Mrs R with home insurance again in the future should she wish to make an application to it.

Lloyds Bank has recently agreed to replace its previous compensation offer with a sum of £350 to reflect distress and inconvenience caused to Mrs R. My view is that Mrs R has been caused significant distress and inconvenience due to Lloyds Bank cancelling her policy, which I consider it did prematurely without carrying out sufficient enquiries to ensure that its understanding of Mrs R's claims record was correct. Taking into account Mrs R's comments regarding the level of concern Lloyds Bank's actions have caused her, my view is that an appropriate payment for the distress and inconvenience Mrs R has experienced is £500.

In terms of Mrs R's difficulties in obtaining insurance cover elsewhere due to Lloyds Bank's cancellation of her policy, Lloyds Bank has sent us a copy of the insurance database entry for Mrs R. This shows a claim recorded in 2008 for accidental damage where £118 was paid, and I understand that this relates to Mrs R's surveyor's investigation costs. Lloyds Bank has pointed out that the database shows only claim dates and amounts; there is no note on the database that states Mrs R's policy was cancelled.

In the circumstances, it would seem that there is no database of cancelled policies from which Mrs R's name needs to be removed. However, I consider that it may assist Mrs R in the event that she chooses to apply for insurance with another insurer if Lloyds Bank provides her with a letter confirming that it cancelled her policy in error. Lloyds Bank should also apologise for its error in cancelling the policy.

Whilst this complaint has been investigated by this service, Mrs R has raised concerns that £2,257 seemed to have been paid in association with her subsidence claim, but that she had never received this payment. Our adjudicator confirmed that this figure represents investigation costs incurred by Lloyds Bank while considering Mrs R's claim made in 2008. This was therefore not money that Lloyds Bank has ever paid to Mrs R.

Mrs R was also concerned that Lloyds Bank had suggested that she had made two or three claims to it over the years. Having considered the claim records forwarded by Lloyds Bank, it seems that the only claim recorded as having been received by Lloyds Bank is the 2008 subsidence claim. Whilst I note that Mrs R contacted Lloyds Bank in 2011, this was not recorded as a new claim but merely a request that it arrange for someone to come to her home to attend to a pipe that had not been replaced during the 2008 subsidence investigations.

Mrs R has complained about the way in which personnel at her Lloyds Bank bank branch dealt with her when she wished to discuss her insurance arrangements. Our adjudicator has explained that a complaint against a branch of the bank would need to be dealt with as a complaint against the bank, rather than as a complaint against Lloyds Bank General Insurance Limited as insurers. Mrs R should therefore approach the bank should she wish to pursue this matter with it.

Turning to the insurance claim that Mrs R made in 2008, this was declined by Lloyds Bank because the loss adjuster considered that the cracking at the property was historic and was associated with previous problems with drains and the water main. He recommended that brickwork repairs were carried out during future work that was planned to install patio doors.

The same loss adjuster attended Mrs R's property in 2011 due to concerns raised regarding an underground pipe that had been inspected during the 2008 claim investigation. He reported that Mrs R had advised him that following his 2008 visit, when her builder had installed the patio doors he had also carried out localised deepening of foundations and had re-pointed the brickwork below corbel level.

Whilst it seems that there may be historic damage dating back to before when Mrs R bought her home, her surveyor reported that there had been further movement more recently, with cracks having opened both externally and internally. At this late stage, it is difficult to say whether there has been subsidence during the period Mrs R has owned the house. The above described works relating to the installation of the patio doors may have removed some or even all of the evidence of recent movement.

However, on balance my view is that there may have been subsidence movement during the period of Mrs R's ownership. Damage relating to this movement was first reported to Lloyds Bank more than 8 weeks after it had commenced providing cover for the property. As a result, taking into account the Association of British Insurers' domestic subsidence agreement, I consider that Lloyds Bank should now appoint a loss adjuster to investigate this claim further to determine whether Mrs R does still have a valid subsidence claim."

responses to my provisional decision

Lloyds Bank accepted my provisional findings. In addition it stated that it was willing to reinstate Mrs R's policy.

Mrs R provided two responses to my provisional decision. In her first, she explained that she would like Lloyds Bank to reinstate her insurance policy and waive 50% of the premiums. Mrs R requested reasonable compensation for distress and inconvenience this matter has caused her, a letter of apology, and confirmation that any record of the policy's cancellation has been deleted. Mrs R also confirmed that she wished Lloyds Bank to reconsider her subsidence claim made in 2008.

In Mrs R's second response, she confirmed the insurance history for her property, and why she moved her insurance to Lloyds Bank in 2008. Mrs R described the events that occurred when her subsidence claim was being dealt with, and has stated that there was a lack of communication between Lloyds Bank and its appointed loss adjuster. Mrs R considers that both Lloyds Bank and the loss adjuster committed to returning to her property to carry out remedial drainage repairs, but that this did not occur. She has also highlighted the difficulties that both she and her late husband were caused whilst the subsidence claim was being investigated.

My understanding is that Mrs R has contacted the insurer that provided cover for her property prior to commencing her policy with Lloyds Bank in 2008, and that it has stated it has no record of a subsidence or any other claim made under its policy on its database.

my findings

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

Lloyds Bank has offered to place insurance cover for Mrs R's home back into force, and I understand that it will be making contact with her regarding this, if it has not already done so. Mrs R has requested that Lloyds Bank waive 50% of her premiums. When this complaint was first referred to this service, Lloyds Bank offered to reinstate Mrs R's policy, backdate cover and charge only 50% of the backdated premiums due. My provisional decision noted that Mrs R had indicated she did not wish to take up the offer of backdated cover. On the basis that this remains the case, my view is that Lloyds Bank's offer to restart cover from

now for Mrs R's property is reasonable, and that it is not necessary for a reduction in premiums of 50% to also be offered to Mrs R.

With regard to compensation for distress and inconvenience Mrs R experienced as a result of Lloyds Bank's actions when cancelling her policy, Mrs R has further explained the difficulties that this caused her. I have taken into account the further comments Mrs R has made, and I appreciate that she was caused significant distress as a result of the policy's cancellation. I should clarify that awards made under this heading by this service are in general modest, with most compensation amounts being for less than £300. Bearing in mind the circumstances of this complaint, my view remains that an appropriate compensation sum under this heading is £500.

Mrs R has indicated that her insurer prior to Lloyds Bank providing cover has no record of a subsidence or any other claim being made under its policy on its database. The documentation provided by Lloyds Bank relating to the insurance industry's database of recorded claims does show two claims having being made by Mrs R in 2008. One of these has been recorded under the name of Mrs R's previous insurer.

Lloyds Bank has agreed to issue Mrs R with a letter confirming that its cancellation of her policy was in error. In light of Mrs R's comments that her previous insurer holds no record of claims made by her under its policy, I would ask Lloyds Bank to provide any assistance it can to Mrs R with regard to ensuring the claims records shown on the insurance industry database are correct.

Mrs R has commented upon the events that occurred when her subsidence claim was initially considered by Lloyds Bank. I remain of the opinion that Lloyds Bank should now reconsider the claim made in 2008 through the appointment of a loss adjuster.

my final decision

My final decision is that I uphold this complaint, and require Lloyds Bank General Insurance Limited to carry out the following actions:

- Issue Mrs R with a letter apologising for its having cancelled her policy, and confirming that this cancellation was carried out in error.
- Reconsider the subsidence claim made in 2008.
- Pay Mrs R £500 compensation to reflect the distress and inconvenience its actions have caused her.

John Swain
ombudsman