

The complaint

A company I will refer to as L complains that Xbridge Limited (Xbridge) failed to provide a policy renewal that conformed to its terms of business, and unfairly increased its premium, under its commercial property insurance policy.

What happened

L says Xbridge's terms of business require it to provide a renewal quote 21 days prior to the policy expiry date. In January 2022 L says this wasn't provided. It says Xbridge sent an email on 4 January advising its policy was due to expire. It provided a link to apply for a new policy. This meant applying as a new customer, not renewing its existing policy.

When L called Xbridge on 22 January 2022, two days before the policy expired, it said the policy couldn't be renewed without being sent for review by the insurer. Xbridge is L's insurance broker. It explained to L that this would take some time. L says Xbridge estimated that to renew the cover would cost in excess of £2,000. The annual premium for the previous year had been £543.74.

L says it had little choice but to agree a policy with less cover, in order to reduce the premium to £1,321.29, which was more affordable, but still a significant increase in cost. L didn't think Xbridge had treated it fairly and complained.

In its final complaint response, Xbridge says L's insurer approved a renewal policy in 2020. At the same time, it gave instructions that the policy shouldn't auto-renew in future years. This was because of an ongoing claim L had through its legal cover, for a client's unpaid invoice. The insurer wanted L's business activities to be reviewed before offering cover in future years. However, Xbridge renewed the policy the following year (2021), without carrying out a review. It acknowledges this was its error.

Xbridge emailed L on 4 January 2022 confirming an auto-renewal wouldn't be provided for the coming policy year. It says L opened the email on the day it was sent. Xbridge says L's policy shouldn't have auto-renewed in 2021 on the same terms as the previous year. It says if done correctly, L's premium would likely have been higher.

L referred the matter to our service. Our investigator didn't uphold its complaint. She says Xbridge failed to identify that L's legal dispute had been settled in 2020. This meant it should have responded "yes" to the insurer's question, "Does the company have any current or ongoing legal or contractual disputes" for this policy year. But because it didn't provide the correct information, the renewal price wasn't impacted.

Our investigator says this changed in 2022 when the insurer decided not to offer an automatic renewal. This resulted in a significant increase in L's premium.

Our investigator says Xbridge failed to review the claim settlement when it should have, resulting in no renewal quote being provided in January 2022. However, she says L likely benefitted from paying a lower premium, when this should've increased from 2020.

L disagreed with this outcome and asked for an ombudsman to consider the matter. It has been passed to me to decide.

I issued a provisional decision in October 2023 explaining that I was intending to not uphold L's complaint. Here's what I said:

provisional findings

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, my intention is to not uphold L's complaint. Let me explain.

Xbridge is L's insurance broker. It isn't responsible for the level at which premiums are set. That is the role of its insurer.

L raised a separate complaint against its insurer. This was about the premium increase, the connection to the legal claim it had made, and the losses this caused. The insurer made an offer to re-calculate L's 2022 premium on its standard terms. This is because L's legal claim shouldn't have had any impact on its risk consideration. In addition to its refund, the insurer offered compensation in light of its mistake.

I won't consider the complaint points relating to L's insurer. My focus here is on the role played by Xbridge as L's insurance broker.

I acknowledge what L says about Xbridge's terms of business requiring either a renewal offer or confirmation that a renewal isn't possible. It says this wasn't done at the time of the renewal in January 2022. L doesn't dispute receiving an email dated 4 January 2022. But says this only confirmed the policy was due to expire. With the provision of a link to allow an application as a new customer.

I've seen a copy of this email. It says the policy is due to expire on 24 January 2022. The email says no insurance will be in place if L doesn't renew by this time. I can see the link L describes, and a telephone number is provided for Xbridge's renewal team.

I can understand why L was concerned that a renewal wasn't offered as had been the case in previous years. And that the email didn't specify that no renewal was possible. But I think L received appropriate notice that action was required to ensure cover remained in place.

L didn't contact Xbridge until 22 January 2022, two days before the policy was due to expire. I acknowledge what it says about having little time to ensure cover was in place. But it knew the policy wasn't automatically renewing around three weeks prior to the policy expiry date. I think this gave L a reasonable opportunity to make contact to ensure cover was in place.

Xbridge concedes that it didn't provide the correct information to L's insurer at the time of the 2020 renewal. This was about the legal claim that had been settled. I note what it says about L benefitting from a lower premium from 2020 up to 2022, as a result of this mistake. But it's been shown that the legal claim shouldn't have been a factor in the insurer's assessment of L's premium. A mistake was made in the insurer's assessment of the risk. This has been addressed by the insurer. But I don't think L benefitted from this mistake.

Having considered all of this I don't think Xbridge treated L fairly when it failed to provide updated information to its insurer about its legal claim. But it was the insurer's error that meant there was an increase in premium. This shouldn't have happened irrespective of whether Xbridge made this mistake or not. Based on this evidence I don't think Xbridge

reasonably needs to do anything further to resolve L's complaint.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Xbridge didn't provide any further comments or information for me to consider.

L responded to say in both this complaint and the complaint against its insurer it was an individual person making the complaint, not a business. L says the business is set up as a sole trader. It says there's no legal distinction between the owner and the company in this scenario.

L says that for the purposes of its insurance cover it was recorded as an individual trading as L. It says the sole trader status means the owner can suffer distress and inconvenience as a result of Xbridge's actions. L refers to our services decision regarding his complaint about his insurer. Specifically, where it was said that a business can't suffer distress in the way an individual can.

L says its insurer has yet to pay the compensation payment required by this service. It says both Xbridge and its insurer have made mistakes, which our service recognises. Including Xbridge giving incorrect advice and not understanding the product it was selling. L says Xbridge made repeated errors at its renewals in 2020 and 2021. And failed to follow its terms of business at the renewal in 2022.

L says this matter has continued for almost two years and impacted on the work carried out by the business. It has caused disruption and stress impacting on personal relationships. L asks that I reconsider the impact that both Xbridge and its insurer has had on it.

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.

I've thought carefully about L's comments that as a sole trader the business owner can suffer from distress and inconvenience in the same way an individual can. I think it's correct to say that there isn't a separation of legal identity between a sole trader and the person who runs it. I've thought about whether this means it's fair for Xbridge to compensate L.

In my provisional decision I explained that Xbridge had written to L around three weeks prior to the renewal date in 2022. It was clear in its letter that no cover would be in place as of the renewal date unless action was taken. As L points out, Xbridge's terms of business say that either a renewal offer, or confirmation that a renewal isn't possible, will be provided by the business. I note what it says on this point. But I don't think Xbridge acted unreasonably. The letter is sent made it clear that L needed to make contact to ensure cover was in place. This was sent with sufficient time for it to make contact and understand its insurer's position.

The crux of the problem here is that L's insurer had factored in L's legal claim to its risk assessment when providing cover. This was a mistake. The legal claim shouldn't have factored into the insurer's premium calculation. This was entirely the fault of L's insurer not Xbridge.

Xbridge had been asked not to allow an auto-renewal after the 2020 renewal. It didn't do this. But it was the insurer's mistake that meant L's premium was impacted by the legal claim. I don't think it's been shown that Xbridge's actions resulted in the issues L has complained about. The business assisted L when it was discovered that the premium with

the existing insurer had increased significantly. It wasn't known at this point that the insurer had made a mistake.

I acknowledge L's reference to the complaint it raised about its insurer. This has been dealt with separately. My decision here relates to Xbridge so I won't comment in any detail on that complaint. Although, I note compensation was offered by the insurer, for its mistake, along with a premium refund, which our service agreed was fair.

Having reconsidered L's complaint, in conjunction with its further comments, although I'm sorry for the impact it says this matter has caused, I don't agree that Xbridge is responsible for paying compensation. The crux of the dispute is down to the insurer factoring a legal claim into its risk assessment for L's cover in error. This wasn't Xbridge's fault. Because of this I don't think it reasonably needs to do anymore to resolve L's complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 8 December 2023.

Mike Waldron
Ombudsman