

The complaint

M, a limited company, has complained about incorrect information that QIC Europe Ltd gave to its broker in connection with its business interruption insurance claim after its business was affected by the Covid-19 pandemic.

Mrs B, a director of M, has brought the complaint on M's behalf.

References to QIC include its agents.

What happened

M runs a restaurant. It had a business interruption insurance policy with QIC covering it for loss of gross profit up to a limit of £500,000. Amongst other things the policy covered M for losses caused if it were unable to use its premises following an occurrence of a notifiable human disease on the premises.

M said it contacted its broker several times before the first government lockdown in March 2020 to check whether its policy would respond if it should be forced to close the restaurant by the government. After M's broker contacted QIC, M was told it would be covered.

M made a claim to QIC for its business interruption losses after its business was impacted by the pandemic during the first lockdown restrictions. On 19 May 2020 QIC declined the claim. It said the loss wasn't covered by M's policy as there hadn't been a confirmed case of Covid-19 at M's premises. M's restaurant was closed from 20 March to 4 July 2020.

M said if it hadn't been given incorrect information by QIC, it would have provided a takeaway service during the first lockdown in order to reduce its losses.

It brought a complaint to the Financial Ombudsman Service. I issued a provisional decision explaining why I was minded to uphold the complaint in part. An extract from my provisional findings is set out below:

"It's evident from M's submissions that unfortunately the Covid-19 pandemic had a significant financial impact on its business.

It doesn't appear to be disputed that M's policy does not in fact cover the losses it suffered during the first lockdown. That's because the policy only provided cover if a business were forced to close because of an occurrence of Covid-19 at the premises and there is no evidence of such an occurrence.

I can see, however, that QIC through the actions of its agent did provide M's broker with misleading information about the policy cover which the broker passed on to M. The agent said during two separate calls before the first lockdown came into effect that that if the business was required to close by a public authority following the outbreak of a notifiable human disease, M should be able to make a claim. That information was incorrect.

I have considered the impact that misinformation had on M.

M has said that if it had known that it wouldn't be covered by the policy, it would have operated a takeaway service during the first lockdown. It already had stock. So it would just have had to buy some boxes. It said similar businesses had made about 30% of their ordinary revenue by doing that.

However, I'm not persuaded that's something M would probably have done as it didn't offer a takeaway service during later lockdowns when it knew it wasn't covered for its business interruption losses. So, I'm not persuaded it would be fair to require QIC to reimburse M for the profit which it could have made during the first lockdown if it had offered a takeaway service.

That said, the incorrect advice clearly caused M a degree of inconvenience. For several weeks it had a legitimate expectation that its claim would be made. It also went to the unnecessary trouble of making a claim in the first place. To compensate for this, I think QIC should pay M the sum of £300."

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 neither party objected to my provisional findings, I see no reason to change them and they now form part of this final decision.

My final decision

For the reasons set out above, I uphold this complaint in part and require QIC Europe Limited to pay M compensation of £300 for the inconvenience caused to it by its incorrect information.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 23 October 2023.

Elizabeth Grant
Ombudsman