

## A question of cover – burglary on a building site

### Background

Financial Dispute Resolution Service (FDRS) received a complaint from a customer regarding a failure to arrange appropriate insurance cover for the tools and materials on a construction site. The customer was building their own home and had engaged with a financial service provider to ensure that they were protected during the construction of the house.

Unfortunately, there was a burglary of the trade-related tools and materials onsite. When the customer proceeded to claim compensation for the burglary, they were informed that the tools and materials had not been part of their cover. At this stage, the customer contacted FDRS. The broker disputed that there was a failure to arrange appropriate insurance coverage as they had not been informed that the build would be conducted by the customers themselves and, hence, that they would need insurance for the tools on the construction site.

### Next steps

FDRS first encouraged the broker to resolve the dispute directly with their customer. When the complaint remained unresolved, FDRS assessed that the dispute was within the jurisdiction and suggested mediation as an option, but the parties were unwilling to meet and discuss the matter in person. The dispute was, therefore, escalated to adjudication, where an independent adjudicator makes a decision based on the evidence submitted by both parties. Submissions were provided and shared between both parties. The broker insisted that they had arranged appropriate insurance, as they were not informed that the customer would be the main contractor on the build and could, therefore, not have known that insurance for tools would be covered. The customer claimed that this information had been disclosed.

During the adjudicator's review of submissions, it was determined that the customer had failed to inform the broker that they would be the main contractor on two occasions but did clarify this on a third instance. The customer was advised to quantify their loss of trade-related items with their depreciated actual and current value along with evidence including pictures, and purchase receipts. The customer provided an excel spreadsheet with a list of tools they claimed had been stolen from the construction site along with their replacement cost. No further evidence in the form of receipts or photos was submitted. The parties were then invited to seek agreement on the value of the customer's listed trade tools. The parties were unable to reach an agreement on this.

### Outcome

The adjudicator considered two questions:

1. Whether the provider had failed to arrange appropriate insurance cover.
2. If the broker had indeed failed to provide appropriate insurance cover, what compensation would the customer be entitled to?

In relation to the first question, the adjudicator partially upheld the complaint. The adjudicator determined that once the broker became aware of the change to the customer's role as the main contractor on the build, the broker breached their obligation to exercise reasonable skill and care. They did not fulfil their obligation as they failed to make further inquiries about the customer's additional risks and propose additional insurance cover to meet those identified risks. This failure exposed the customer to foreseeable loss of their trade tools because of theft. However, as the customer had failed to clearly inform the provider that they would be the main contractor on two separate occasions, it was determined that the liability would be shared. The adjudicator found that the broker was one-third responsible for the loss and should, therefore, bear one-third of the cost of compensation.

On the second question, the adjudicator found that despite clear instructions and a reasonable amount of time, the customer had failed to provide the specified evidence. Therefore, no compensation was due to the customer.