

Notice of Undertaking

London General Insurance Company Limited

Summary

London General Insurance Company Limited (LGI) has agreed to make changes to a term in its Extended Warranty Protection Policy (the policy). Nationwide Building Society (Nationwide) provides the policy to customers who have a Nationwide Building Society FlexPlus current account. Lifestyle Services Group Limited (LSG) administers the policy.

LGI has given us an undertaking, under the Consumer Rights Act 2015 (the CRA), in relation to the term that sets out what items are covered under the policy. This is because we had concerns that the term was not expressed in a manner that was transparent, as it was not written in plain and intelligible language as required under the CRA. As a result, we were concerned that customers may be confused about whether certain items were covered by the policy, and therefore whether they could make a claim.

We summarise our concerns and the action the firm has taken below.

Why did we have concerns?

The policy set out a list of items that were covered, preceded by the wording “*Items such as*”. In our view, this meant the list contained *examples* of items that were covered. However, other information (including information on Nationwide’s website) indicated that *only* the items in the list were covered by the policy.

In our view, the difference between the wording of the term and the other information consumers could access about the policy meant that the term was capable of having two different meanings. This could have caused confusion to consumers about whether certain items were covered by the policy, and therefore whether they could make a claim.

We also had concerns that LGI had rejected claims made by consumers if the item claimed for did not appear in the list.

What has the firm done?

LGI has agreed that the relevant term was not as clear as it could or should have been.

LGI, together with Nationwide and LSG, has reviewed the policy and LGI has amended the term as follows:

- to remove the words “such as” from the term;
- to increase the number of items that appear in the list of items covered under the policy and
- make it clear that only the items listed in the term are covered.

LGI has amended their claims process in order to consider claims using a wider list and broader interpretation of items covered until the new term is in use.

LGI has reviewed past claims and paid redress to consumers where they have found that claims had been incorrectly rejected because the item claimed for did not appear in the list. As a result, LGI has paid in the region of £47,000 redress to approximately 300 consumers.

LGI, Nationwide and LSG have fully cooperated with us in resolving our concerns.

What does this mean for customers?

LGI has confirmed that:

- The new term gives greater clarity and certainty to consumers about what items are covered under the policy through removal of the “such as” wording from the policy. The list of items covered is clarified in an expanded list of specific items that are covered. LGI has included the new wording in new contracts from 21 April 2017.
- Until the new term is in use, claims received are being assessed against a wider description of items covered and that a broad and fair interpretation of the current policy term is applied.
- It has reviewed all past claims going back to November 2014 (when the term was introduced) which may have been declined as a result of the way the term was interpreted. Consumers have received redress where claims had been incorrectly rejected, based on the wider, non-exhaustive application of the “such as” policy term.

Nationwide has informed existing customers about the new term.

Undertaking from London General Insurance Company Limited

London General Insurance Company Limited (LGI) has given this undertaking to the FCA under the Consumer Rights Act 2015 (the CRA) in respect of the Nationwide FlexPlus Account Extended Warranty Protection Policy (December 2015).

Term 3A of the policy stated:

Section 3A 'What you ARE covered for'

"You can cover unlimited eligible appliances or equipment. Items such as:

- *Cooker hood*
- *Food Blender*
- *Digital TV receiver excluding Sky Boxes*
- *Dishwasher*
- *DVD / BlueRay player*
- *Free standing cooker*
- *Fridge, Freezer or Fridge-freezer*
- *Home Cinema / surround sound system*
- *Vacuum cleaner*
- *Laptops / tablets*
- *Microwave oven*
- *Radio / hi-fi system*
- *TV*
- *Washing machines, Tumble dryers or Washer dryers*

If you're unsure as to whether an appliance is covered or not, please contact us on 0800..."

Applying the CRA

Section 68(1) of the CRA states that firms are required to "ensure that a written term of a consumer contract...*is transparent*". Under Section 68(2) of the CRA, a term is transparent if "*...it is expressed in plain and intelligible language and it is legible.*"

In our view, the term was not in plain and intelligible language under the CRA because the policy set out a list of items that were covered, preceded by the words "*Items such as*". In our view, this meant the list contained *examples* of items that were covered. However, other information (including information on Nationwide's website) indicated that *only* the items in the list were covered by the policy.

In our view, the difference between the wording of the term and the other information consumers could access about the policy meant that the term was capable of having two different meanings. This could have caused confusion to consumers about whether certain items were covered by the policy, and therefore whether they could make a claim. Under Section 69 of the CRA, where

a contract term in a consumer contract could have different meanings then it must be applied in the way that is most favourable to the consumer.

How the term has been changed

LGI and Nationwide have informed us that the wording "such as" was inserted into term 3A in November 2014. They have also informed us that the items listed in that term had been applied as an exhaustive list of items covered under the policy when handling claims.

LGI has agreed that the wording of the policy was not as clear as it could or should have been and could have caused uncertainty for customers over which items were covered under the policy.

LGI has agreed to improve the clarity of the term by making the following changes to it:

- remove the words "such as" from the term;
- to expand the list to include a wider number of items that are covered by the policy; and
- make it clear in the policy and any supporting materials that only the items on the list are covered.

Other Information

The firm was fully cooperative in providing this undertaking.

Undertaking published 12 July 2017.

Legal Information

As a regulator, we, the Financial Conduct Authority (FCA), can challenge firms using terms that we view as not being transparent under Part 2 of the Consumer Rights Act 2015 (CRA). We review contract terms that we come across in our supervision of firms. This includes contract terms that are referred to us by consumers, enforcement bodies and consumer organisations. This has led to London General Insurance Company Limited to undertaking to replace the term that we consider is likely not to be transparent.

We have a duty under the CRA to notify the Competition and Markets Authority (CMA) of the undertakings we receive. The CMA has a duty to publish details of these undertakings, which it puts on www.gov.uk. We also publish the undertakings on our website. Both publications will name the firm and identify the specific term and the part of the CRA that relate to the term's transparency.

Even if firms have not given an undertaking or been subject to a court decision under the CRA they should remain alert to undertakings or court decisions

concerning other firms as part of their risk management. These will be of potential value in showing the likely attitude of the courts, the FCA, the CMA or other qualifying bodies to similar terms or terms with a similar effect.

Ultimately only a court can determine the fairness or transparency of a term and, therefore, we do not recommend terms that have been revised by a firm to address our concerns as being definitely fair or transparent. We cannot approve terms for the purposes of the CRA; it is for firms to assess the fairness and transparency of their terms and conditions under the CRA and in the context of the product or service in question.

It is important to bear in mind that wording that is fair or transparent in one particular agreement is not necessarily fair or transparent in another. Where we accept an undertaking given to us from a firm to revise a term, this means that, on the evidence currently available we consider the term to be improved enough that further regulatory action is not required.