

Legal action targets freeholder insurance practices

31 July 2025  Felicity Pallas

Legal letters have been sent to freeholders alleging they unlawfully received secret commission fees for arranging buildings insurance policies, [BBC News reports](#).

The legal action claims that commissions paid by insurance companies to freeholders were added to service charges without leaseholders' knowledge or consent.

The legal firm representing the class action argues this "amounts to a secret commission received without our clients' informed consent" and seeks return of [commissions](#), interest, and Insurance Premium Tax.

The allegations are particularly significant given the context of steep [insurance](#) cost rises following the 2017 Grenfell Tower fire. Since commissions are typically percentage-based, the group alleges that freeholders have benefited from the tragedy.

The scale of the issue became apparent when the Financial Conduct Authority (FCA) published 2023 findings showing commission rates could reach 62% in some cases. New regulations (known as the MOBI regulations) requiring disclosure of commission payments only came into effect in January 2024. The named freeholders deny the accusations.

What does this mean for insurers?

The case raises critical questions about regulatory oversight effectiveness and industry practices. Although disclosure requirements now exist, the central concern is that commission structures may have incentivised a selection of insurance products based on commission rather than best value or appropriate coverage.

For insurers, this highlights broader questions about commission structures and disclosure practices across the entire insurance market, not just leasehold insurance. The legal action may lead to further reform, encouraging greater transparency and fairness in how insurance products are sold and administered industry wide.

The case serves as a reminder that current practices must deliver fair value to all policyholders, with insurers potentially facing increased scrutiny of their commission arrangements and distribution methods.

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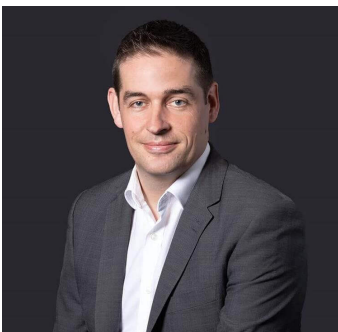


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