

## **The complaint**

Miss B has complained that Accredited Insurance (Europe) Ltd unfairly voided her home insurance policy (treated it as though it had never been in place) and required her to repay the cost of her flood claim. She's also unhappy with the way the claim was handled.

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## **What happened**

Miss B took out the policy with AIE in 2018. The policy was renewed in June 2019. The policy documentation stated that AIE had been told the property wasn't used for business purposes and asked Miss B to tell it if any of the information AIE held about Miss B was incorrect.

In August 2019 Miss B made a claim to AIE after her home was flooded.

AIE asked Miss B some questions as part of the claim. It said she told them she was a housewife with a home food business which she'd started in late 2018.

Without accepting liability for the claim AIE appointed a loss adjuster to investigate the claim and in particular the business use of the property. Miss B told the loss adjuster she didn't run a business from her home and the food products were made by her partner at her place of work. AIE said based on that information it accepted the claim. It arranged for a supplier to start drying the property and made various interim payments to Miss B.

AIE said following a review of a complaint by Miss B about the way the claim had been handled, it found more information indicating that Miss B had been carrying on a business from the property.

In March 2020 AIE decided to void the policy. It said it wouldn't have offered to renew the policy in June 2019 if it had been told about the business use. It also asked Miss B to repay the claim costs of about £85,000.

Miss B brought her complaint to this service. Our investigator didn't uphold it. He didn't think it was unfair of AIE to void the policy on the basis that Miss B had given it inaccurate information. Since the policy had been voided, he thought AIE was entitled to recover its claim costs. He wasn't persuaded that the drying company had damaged some items further and disposed of other items unnecessarily.

As Miss B didn't agree, the matter has been referred to me.

## **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.

When a consumer buys or renews an insurance policy, they're asked various questions about themselves, what they want to insure or to confirm that information previously provided and held by the insurer is correct. The insurer uses the answers given, and the

information provided, to assess the risk of insuring the consumer and to calculate what price to charge for doing so. Basically, the insurer is trying to assess how likely it is that the consumer will make a claim. And to do so it has to rely on the answers and information that it's given as being accurate. If an answer is inaccurate or misleadingly incomplete it can be said to be a misrepresentation. And in certain situations the insurer will be entitled to take action as set out in the Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA).

It's not in dispute that AIE asked Miss B a clear question about whether her property was used for business purposes. It's not my role to decide whether or not Miss B was carrying on a business from her home. What I'm looking at is whether AIE reached a reasonable decision that Miss B had given it inaccurate information on renewal of the policy.

AIE has confirmed that it wouldn't have offered this policy if it had known about the business use.

I'll look in turn at the evidence relied upon by AIE which it thinks show there was a business use at Miss B's property.

#### *food hygiene rating*

Miss B said in January 2019 she and her partner bought a website for a food business called S. A food hygiene rating for that business was awarded by the local authority at the end of that month following an inspection of the kitchen at Miss B's home.

Miss B said she just wanted to make items for school fairs and knew that legally she needed to register as a business in order to do so.

I accept that there isn't a mechanism for private individuals to register their homes when making food for other people not as part of a business. But I think generally the only people who'd bother to register would be running a business as the registration process is designed for people who are starting or taking over a food business. So I can understand AIE placing some weight on this evidence.

#### *social media checks*

AIE said its social media checks indicated that Miss B's business, S, had been affected by floods and also brought to light a stockist. I've looked at the social media posts some of which the retailer later removed. In November 2018 they referred to the "*last ever*" delivery from S due to it closing at the end of the month. In February 2019 the retailer said it had S's products in stock again and thanked someone with Miss B's first name for delivering them. There were two other posts about S's products that month. In March the retailer referred to some new stock that had just arrived from S. There were more posts about S in April, May and June.

Miss B says in some of the posts the retailer was referring to old stock that had been delivered before she and her partner acquired S. She said they'd had four orders for the retailer with the last one being in May 2019 before the policy renewal date. Miss B provided witness statements and photos showing that her partner made similar products using the facilities in her workplace. She said her partner had made the goods for the orders at her workplace and in her own time. I think this shows that Miss S and/or her partner were running a small business, albeit not necessarily from their home.

However, in August 2019 there was a post by the retailer that S had been affected by floods "*with a lot of stock damaged*". Since there's no evidence that Miss B's partner's workplace was flooded or that there were any other premises that Miss B and her partner used to make their products, I can understand why AIE interpreted this as referring to the flooding at

Miss B's home. I appreciate that the retailer later took down the post but it's hard to understand why the retailer would post something like that unless it reflected what they'd been told.

#### *admission from Miss B's partner*

During a call with AIE to discuss the above evidence, Miss B's partner confirmed that they had been making the food products at home. Miss B says her partner was pressurised into making that admission because of the threat that she would be reported to her employer for unauthorised use of their facilities. Since Miss B has provided witness statements from her partner's colleagues about the fact that her partner was making products for S in her workplace, it's hard to reconcile this with Miss B's partner feeling pressurised about her employer finding out about this.

Miss B has since provided a statement from someone who visited Miss B's partner's workplace in March 2019. The person recalled the partner working on products for S "*as a favour*" to Miss B. I think Miss B has shown that *some* of S's products were made in her partner's workplace. But I don't think that necessarily means it was unreasonable for AIE to conclude that that *some* of them were made at Miss B's home.

After considering these points, I don't think it was unreasonable for AIE to come to the conclusion that Miss B was more likely than not running a business from home. I appreciate that it would only have been a very small business but even large businesses have to start somewhere. Taking all this into account, I'm satisfied it was reasonable for AIE to decline Miss B's claim and void the policy. Since she wasn't covered by the policy, AIE hasn't treated her unfairly in requiring her to repay the claim costs which it paid in good faith on the understanding at the time that her claim was covered under the policy.

Miss B is also unhappy with the way AIE's drying company dealt with her belongings. The limit of cover for items in the garage and outbuildings was £2,500. Before the policy was voided, she complained that the drying company had disposed of or damaged items in the garage unnecessarily and she wouldn't be able to claim for them because she'd reached the limit under that section of the policy.

The drying company was working for AIE which had a vested interest in disposing of as little as possible in order to reduce the cost of the claim. As it was a specialist in flood claims and Miss B's property had been flooded by contaminated water, I think it would also know what items could be restored and which couldn't. I appreciate that Miss B would have liked to have been consulted before things were disposed of but that wasn't practicable since she wasn't on hand. So I don't think it was unreasonable for the drying company to make its own assessment and act accordingly.

Miss B has also complained about delays. I can see that there were some delays at the start of the claim but that was due to the initial enquiries AIE made after Miss B disclosed the business use. I think AIE was entitled to make such enquiries before it accepted liability under the policy.

#### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 12 April 2021.

Elizabeth Grant  
**Ombudsman**