

The complaint

Mr P, a sole trader, complains that U K Insurance Limited trading as NIG Insurance ("UKI") declined his claim and cancelled his property owner's insurance policy as it considered it to be fraudulent.

What happened

Mr P was a sole trader who owned a property. He had property owner's insurance to cover it, that was underwritten by UKI.

In August 2020 Mr P made a claim on the policy after a boundary wall in the garden collapsed following a storm. UKI sent a loss adjuster to inspect the damage and subsequently referred the matter to a fraud investigation.

Following this, it declined the claim and said it was cancelling Mr P's policy as it considered the claim to be fraudulent. It said there was a large pile of debris in the garden by the wall and it thought Mr P was carrying out renovations and that the tenant had moved out while that took place. And this didn't match the account he had given. It also said that it didn't consider the storm conditions on the day of the damage were strong enough to knock down a wall of that construction.

Mr P wasn't happy with this as he said the wall had collapsed due to the storm. He provided accounts from neighbours and a report from his own expert that supported this. He made a complaint but UKI maintained its position. So he brought his complaint to this service.

Our investigator considered the matter and concluded that UKI had acted unfairly by cancelling Mr P's policy due to fraud as it hadn't done enough to show this. So she recommended it reinstate the policy and remove any fraud markers from internal and external systems. However she thought it had done enough to show that the storm wasn't the main cause of the damage, so thought it had acted fairly by declining the claim.

UKI didn't agree with our investigator's recommendation. It said it had carried out a thorough investigation and had done enough to show that Mr P had acted fraudulently. It said it believed he had caused the wall to collapse in order that the debris in the garden could be collected on the road, and therefore considered the claim to be dishonest. It asked for the complaint to be reviewed by an ombudsman.

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.

Fraud

UKI has said it believes Mr P has been dishonest when making the claim. And it has relied on the fraud condition in the policy to decline the claim and cancel the policy.

The fraud condition in Mr P's policy states that 'In the event of any claim under the Policy being submitted which in any respect is intentionally exaggerated or fraudulent..' then UKI can decline the claim and treat the policy as having been cancelled. I've considered if UKI has acted fairly by relying on this condition to cancel Mr P's policy.

UKI has provided notes from its investigations and I can see it has looked into things thoroughly. It concluded that there were inconsistencies in what Mr P had told it as it believed there were extensive renovations taking place at the property and that the tenant had moved out during that time.

However I don't agree it's done enough to fairly apply the fraud condition. To fairly say a claim was fraudulent we'd expect UKI to have shown that Mr P intentionally gave false or exaggerated information for financial gain. Here, even if I were convinced that Mr P had lied about the renovations and tenant's circumstances, this would have had no bearing on the claim. A claim on the storm cover in the policy isn't dependent on whether the property is undergoing renovations, or whether it is occupied. So while UKI think Mr P has been dishonest about the renovations taking place at the property, I don't agree this is enough to show that the fraud condition would fairly apply.

I note that since the complaint has come to this service, UKI has said it believes Mr P has purposefully knocked down the wall so that the debris in the garden could be more easily removed, due to parking restrictions elsewhere on the road. However I have seen no evidence to support this. And, as UKI has pointed out, the debris hadn't been removed from the garden as there was still a large amount present when the claim was made. So not only do I consider that UKI have not done enough to prove this theory, I also consider it highly improbable.

Based on this, I don't think UKI has acted fairly by relying on the fraud condition to cancel Mr P's policy. I therefore agree with our investigator that it should reinstate the policy and remove all fraud markers from both external and internal systems.

Claim decline

As I don't think UKI has acted fairly by relying on the fraud condition, I've gone on to consider whether it has fairly declined Mr P's claim for storm damage.

When deciding if an insurer has fairly declined a storm damage claim, this service considers three questions. And if we think the answer to each is 'yes', we'd say the claim should be accepted. The questions are:

1. Do we agree that storm conditions occurred on or around the date the damage is said to have happened?
2. Is the damage claimed for consistent with damage a storm typically causes?
3. Were the storm conditions the main cause of the damage

Here, I'm satisfied that the weather on the day of the damage did amount to storm conditions. I've seen from weather reports in the area that winds reached 53mph on that day, so that's enough to persuade me that there was a storm. However, while the damage caused to the wall could be considered consistent with storm damage, I'm not persuaded that the storm was the main cause.

UKI has provided a report from its loss adjuster who inspected the wall. They've concluded that the wall was of such substantial construction that strong winds alone would be unlikely to cause the level of damage. They've also pointed to other areas of the wall and property that remained undamaged after the storm.

While Mr P has disagreed with this conclusion, the evidence he has presented isn't as comprehensive as the report from UKI's loss adjuster. His report states that the storm caused the damage, but doesn't go on to consider if this were the main cause. While I don't doubt the storm caused the wall to fall, from what I've seen, I think UKI have done enough to show that other factors were the main cause, and the storm merely highlighted existing problems.

For these reasons I don't think UKI has acted unfairly by declining Mr P's claim for storm damage, so I won't ask it to do anything differently in relation to the claim.

My final decision

For the reasons I've given I uphold Mr P's complaint in part. I require U K Insurance Limited trading as NIG Insurance to:

- Reinstatement of Mr P's policy.
- Removal of all fraud markers on internal and external systems.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 10 June 2022.

Sophie Goodyear
Ombudsman