

## **The complaint**

Mrs M complains that Accredited Insurance (Europe) Ltd declined her claim and subsequently voided her home insurance policy for misrepresentation.

## **What happened**

Mrs M had home insurance with Accredited. In April 2021, she made a claim when a water tank burst and flooded her house, damaging the roof and rooms in the middle and at the front of the house. Accredited appointed a loss adjuster, and Mrs M appointed loss assessors to assist her with the claim.

Mrs M's loss assessor met with the loss adjuster on 20 April. At this meeting Mrs M mentioned there was an extension at the back of the house which still had some internal finishes to be completed. On 23 April the claim was re-allocated to a second loss adjuster who undertook a site visit. On 2 July an independent survey was carried out to provide a comparison estimate for the repairs, but Accredited said it wouldn't accept the independent survey and a further survey was carried out in September. The second loss adjuster then left and was replaced with the first loss adjuster and the claim was eventually sent for underwriting in October 2021.

Accredited told Mrs M the claim was being declined because it hadn't known there were outstanding building works when it offered the policy. Mrs M wasn't happy her claim had been declined and so she complained to Accredited.

Having previously said it didn't accept there had been delays, Accredited offered Mrs M £150 compensation for the time it had taken to review the claim. But it maintained its position in respect of the outcome of the claim, stating it wouldn't have offered the policy if it had known about the extension works.

Mrs M remained dissatisfied and so she complained to this service. She explained the building of the extension started in 2017 and, by December 2019, the full exterior, roof, windows, doors, floors, and roughcasting were all complete with only the electrics and internal walls outstanding. This had been due to begin in January 2020, but the builder cancelled due to illness and then it didn't go ahead because of the pandemic. Mrs M explained the policy was taken out in October 2020 and when she told Accredited she had no building work in progress, she didn't foresee the work going ahead because of the pandemic. She argued the extension didn't cause nor was it affected by the flood and it wasn't part of the claim.

She said it took Accredited seven months to tell her the outcome of the claim and has questioned why she wasn't told there was a problem after the first or second visit. In the time it took Accredited to review the claim, she was left with concrete floors, plasterboard walls, damp bathroom walls and ceiling, and her husband's health deteriorated due to the dampness and mould. During that time, she was unable to go away because she didn't know who might need access to her home, and her furniture was left sitting in a container. Mrs M also complained about the time she spent dealing with the claim, including completing paperwork, sending video and photographic evidence, and going through emails looking for

confirmation of suppliers and materials. Finally, she has since found it difficult to gain insurance and her premiums have increased.

After Mrs M had complained to this service, Accredited confirmed that the policy had since been cancelled for misrepresentation and that she would receive a refund.

### **My provisional findings**

I stated the relevant law in this case is The Consumer Insurance (Disclosure and Misrepresentation) Act 2012 (CIDRA). CIDRA requires consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance policy. The standard of care is that of a reasonable consumer. And if a consumer fails to do this, the insurer has certain remedies provided the misrepresentation is - what CIDRA describes - as a qualifying misrepresentation.

For it to be a qualifying misrepresentation the insurer has to show it would have offered the policy on different terms or not at all if the consumer hadn't made the misrepresentation. CIDRA sets out a number of considerations for deciding whether the consumer failed to take reasonable care. One of these is how clear and specific the insurer's questions were. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless or careless.

I explained that when Mrs M took out the policy in October 2020, all external building work on the extension was complete with only internal work such as plumbing, electrics, internal insulation and plaster boarding outstanding. The work had unfortunately come to a halt due to Covid and at the time Mrs M applied for the policy, there was no work taking place. Mrs M applied for the policy online and was asked two questions which were relevant to the issue of whether she made a misrepresentation when she applied for the policy.

When she was on the price comparison site, she was asked *'is your house undergoing any building work?'* The question was accompanied by a prompt stating *'answer yes if there's any ongoing or incomplete building work'*. Mrs M answered 'yes' to this question and I was satisfied this was a clear question and that Mrs M answered it correctly because, while there was no work ongoing at the time of the application, the extension was incomplete.

She was then taken to Accredited's website where she was asked *'are there any building works in progress?'*, to which she answered 'no'. I considered whether this was a clear question and I didn't think it was. The words 'in progress' suggest the question is asking whether there was actual building work taking place at the time of the application and, if the question was intended to include incomplete building work (which would need to be completed at some stage), I thought Accredited should've been specific about this.

Mrs M had explained she answered no because there was no building work taking place on the extension at the time. While there was outstanding work which needed to be finished before the extension was completely finished, I was satisfied there was no building work taking place or in progress at the time of the application, so I was satisfied Mrs M's answer was correct.

Accredited had said it wouldn't have offered Mrs M insurance if she'd told it about the extension when she applied for the policy but, as I didn't think there was a clear question or that Mrs M answered the question incorrectly, I didn't consider this.

Consequently, I didn't think Accredited's decision to decline the claim and void the policy based on a misrepresentation was fair. I was therefore minded to direct it to reconsider this

claim under the remaining terms and conditions of the policy. I said it should also reinstate the policy and ensure any adverse markers were removed from Mrs M's insurance record.

#### *underinsurance*

I wasn't minded to deal with underinsurance as part of this complaint, explaining it was a matter for Accredited if it raised the issue as part of its reconsideration of this claim.

#### *compensation*

Mrs M insurance premiums have increased, and I explained this isn't a result of the way Accredited handled the claim but likely a result of her policy having been cancelled. I agreed there were delays in telling Mrs M about the outcome of the claim and that these delays were unnecessary because the loss adjuster knew about the extension from the date he first attended the property. Insurance claims can often be very time consuming for the policy holder, but I accepted the time Mrs M had to spend living in very difficult conditions had a significant impact.

Taking into account both the increase in Mrs M's insurance premiums and the trouble and upset she experienced as a result of Accredited's handling of the claim, I was minded to direct it to pay her £700 compensation (on top of the £150 it's previously offered).

### **Developments**

Neither party has submitted any additional comments or evidence in response to my provisional decision.

### **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.

Because neither party has submitted any additional comments or evidence, the findings in my final decision will be the same as the findings in my provisional decision.

### **My final decision**

I uphold this complaint and direct Accredited Insurance (Europe) Ltd to reconsider the claim. If this results in a cash settlement this should include a payment of 8% simple interest\* from the date of the claim to the date it makes the payment. It should also pay Mrs M £700 compensation for the trouble and upset she's experienced as part of its poor handling of the claim.

\*HM Revenue & Customs may require Accredited to deduct tax from the interest it pays Mrs M. If it does, and if Mrs M requests it, Accredited should provide her with a certificate showing how much tax it has taken off so that she may reclaim it if appropriate. Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 24 October 2022.

Carolyn Bonnell  
**Ombudsman**