

The complaint

Mr M complains that Great Lakes Insurance SE (“Great Lakes”) unfairly declined a claim made under his gadget insurance policy and terminated his cover.

What happened

Mr M took out gadget insurance online with Great Lakes. When his laptop got damaged he made a claim under his policy.

Great Lakes said he’d answered the question about the value of the laptop incorrectly. And it considered this to be a careless qualifying misrepresentation, which entitled it to terminate the policy and refuse to pay his claim.

Mr M brought his complaint to this service and our investigator thought it should be upheld. The investigator said Mr M hadn’t manually entered the value of the laptop when taking out the policy, but had selected the maximum value available from a drop-down list. So he didn’t think it was fair for Great Lakes to terminate the policy as if there had been a careless misrepresentation.

Great Lakes didn’t agree with our investigator and asked for an ombudsman’s decision. So the complaint has now come to me to decide.

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.

The relevant law in this case is The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). This requires consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance contract (a 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’ve 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. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless, or careless.

Great Lakes thinks Mr M failed to take reasonable care not to make a misrepresentation when he gave the value of the laptop as £3000 when he took out the policy online.

I’ve considered the question that was asked of Mr M by looking at the screenshot Mr M has sent us, and this shows that when a laptop make and model is selected from the drop-down list, the value automatically generates in the area below, up to a maximum limit of £3000. And in Mr M’s case, when an unlisted laptop make and model is entered manually, the value

can be selected from the drop-down list in the area below, up to a maximum of £3000.

I accept that Mr M purchased his laptop for over £3000, but I don't think it would've been clear to Mr M at the time he took out the policy that he wouldn't be covered for a laptop he purchased for more than £3000. I think it would've been reasonable for Mr M to believe that the policy would only cover up to £3000 of loss instead. So I don't consider Mr M failed to take reasonable care and therefore I don't consider it fair for Great Lakes to allege that Mr M made a careless misrepresentation, when the question asked was not clear.

Great Lakes has said that Mr M entered the details of his device manually as it was not a device that was automatically included on the system drop-down list. Great Lakes says Mr M then selected the £3000 policy cover limit. But I don't consider Great Lakes has been able to demonstrate that Mr M made a careless misrepresentation by doing so.

The maximum he could've selected was £3000 and there was no option for him to select a higher figure. And I've seen no evidence that it was made clear to Mr M when this question was asked, that he'd need to select the exact value or original purchase price of the device. So I think it would've been reasonable for Mr M to select the closest value available. I'm satisfied therefore that no misrepresentation was made in this case and that Great Lakes hasn't treated Mr M fairly.

Putting things right

Great Lakes Insurance SE should reinstate Mr M's policy as if no misrepresentation was made and it should consider Mr M's claim in line with the policy terms and conditions up to the policy limit. It is entitled to deduct from any payment made to Mr M the policy excess and the premiums it refunded.

It should also pay Mr M £50 for the distress and inconvenience it has caused by unfairly terminating Mr M's policy from inception and unfairly declining his claim.

My final decision

My final decision is that I uphold this complaint and require Great Lakes Insurance SE to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 January 2023.

Ifrah Malik
Ombudsman