

## **The complaint**

Mr and Mrs P complain about Covea Insurance PLC (Covea) who has voided their cover (treated it as though it never existed), following their claim under their home insurance policy.

## **What happened**

Mr and Mrs P were victims of a burglary at their home. They contacted Covea to make a claim. It asked them to provide a lost list, which they did. Because of the value of the items on the list, Covea appointed loss adjusters (LA) to validate the claim.

During the risk assessment the LA found that Mr and Mrs P were underinsured, so the claim was referred to Covea's underwriters for further investigation. Following those investigations, Covea decided to void the policy. It said that it had found that the contents were underinsured, including the high-risk items limit. It said that had it been made aware of the true value of the items, then it would not have offered cover at all. Covea then refunded all of the premiums Mr and Mrs P had paid for the policy, as it had been voided.

Mr and Mrs P said that they had insured the contents for £80,000, which was sufficient, as they had intended to carry out renovations and move out of the home, but Covid took place, and the works were postponed. Many of the items were below £200 in value and had been gifts that they didn't think needed to be disclosed. Also, items that were over £5,000 were not kept in the home. Only one item had been at the home, but they had intended to return that item back to its safe deposit, which was away from the home. They had a broker to assist due to language barriers. And that Covea didn't attempt to negotiate and made assumptions, without checking with them.

Also, they couldn't understand why Covea wouldn't at least pay out for the damages to the property as they had cover for this of around £1M. Covea maintained its reasons for the voidance of the policy in its final response. And as Mr and Mrs P were given their referral rights, they referred a complaint to our service.

One of our investigators, considered the complaint and didn't think it should be upheld. He concluded that the onus was on Mr and Mrs P to provide accurate and complete information for all of their belongings, which he felt they had not done. Consequently, Covea's decision that a qualifying misrepresentation was done, was reasonable. And its decision to void the policy and refund the premiums, was fair. So, there was nothing further he could ask Covea to do regarding this complaint.

Covea accepted the view, Mr and Mrs P did not. They maintained their position, that Covea failed to negotiate with them, that many of the items over £5,000 were kept away from the home in a safe deposit. That many of the items were below £200 and there was no reason why Covea shouldn't have dealt with the damage to the building, as they had sufficient cover for that. So, they asked for a decision from 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.

Having done so, I will not uphold this complaint, for much the same reasons as our investigator, which I understand is likely to be a disappointment to Mr and Mrs P. But I hope my findings go some way in explaining why I've reached this decision.

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 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. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless, or careless.

Covea said that there is an onus on a policyholder to ensure that the information they provide is accurate and factually correct. It also said that had it been made fully aware of all of the contents, and the values, it would not have offered cover. Based on this, Covea said that the misrepresentation by Mr and Mrs P was careless.

Mr and Mrs P compiled a loss list, which they provided to Covea. The total contents cover they had was for £80,000. But the list that was provided total nearly £40,000 more. Notably there was a coin collection worth £33,178.75, a stamp collection, as well as jewellery worth £44,389.73. These had been on cover since the policy inception. And without any other items being included or even if items were excluded, Covea said that this demonstrated that Mr and Mrs P had been underinsured.

I've reviewed what happened around the time of the sale of the policy to Mr and Mrs P. I note that they were asked a series of questions, to determine whether cover would be provided and whether Covea would've wanted to take on the risk. These questions included:

*'The full replacement cost of all your contents is less than or equal to £80 000.'*

*The full replacement cost of all your high-risk items must not exceed £28 000 or the cost of the most expensive high-risk item in your home must not exceed £5 000.*

*PERSONAL POSSESSIONS – The total value of unspecified items is (Limit £1,500 any one item) & The total value of specified items is (Maximum £5,000 any one item).'*

Given, that Mr and Mrs P were asked to disclose the high-risk items and valuables at the property, as well as their values. And to confirm the full replacement cost of those items, which shouldn't have exceeded £28,000, with any single item not exceeding £5,000. I don't think these questions were unusual or unclear. And as the valuations carried out by the LA

Covea relied upon, far exceeded the policy limits, I'm satisfied that Covea provided sufficient evidence to show that the policy was underinsured.

I understand that Mr and Mrs P said that they were not given the opportunity to negotiate with Covea, and that many of the items were kept away from the home and kept in a safe deposit. But I note that it was Mr and Mrs P who provided the loss list. Contained within the loss list was mention of items that Mr and Mrs P said were kept off site. In addition, there were items mentioned on the list that were clearly in excess of the single item limit of £5,000. And hadn't been specified on the statement of fact, such as various items of jewellery and the stamp collection.

I've next looked at the actions Covea can take in accordance with CIDRA and one of the remedies allows for it to void Mr and Mrs P's policy. Which lets it not have to deal with their claim following the burglary. Covea said that due to Mr and Mrs P failing to disclose the correct values of the high-risk items and contents, it would not have offered cover had it been made aware of the true value of the contents. In light of this, as I agree that the misrepresentation was careless, I'm satisfied that Covea was fair to rely on CIDRA to void Mr and Mrs P's policy.

Finally, Mr and Mrs P have queried why Covea haven't dealt with the damage made to the property during the burglary, as they said that had sufficient cover. So I've looked into this further.

Covea voided the whole policy and refunded all the premiums from the inception of the policy. This meant it treated the policy as if it had never existed. Because of this, this meant there was no cover for the damage caused to the property.

Taking everything into consideration. I find that the onus was on Mr and Mrs P to disclose factually correct and relevant information as required by the terms of the policy. Which then would've allowed Covea to make an informed choice as to whether it would've wanted to take on the risk. As this wasn't done, I'm satisfied that Covea provided enough evidence to show there had been a qualifying misrepresentation. And I think it was reasonable to void the policy (treated it as if it had never existed). I also think that it was fair to refund all premiums paid since inception of the policy. Consequently, there is nothing further I can ask Covea to do here.

### **My final decision**

Covea Insurance PLC has agreed to refund the premiums from the date of inception to the date the policy was voided. And I think this offer is fair in all the circumstances.

So, my decision is that Covea Insurance PLC must refund the premiums from the date of inception to the date the policy was voided, within 28 days of the date on which we tell it Mr and Mrs P accept my final decision. If it pays later than this, it must also pay interest from the date of my final decision to the date of payment at 8% a year simple. If it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P and Mr P to accept or reject my decision before 16 June 2023.

Ayisha Savage

**Ombudsman**