

The complaint

Miss E has complained that Royal & Sun Alliance Insurance Limited (RSA) voided her home insurance policy and declined to pay a claim.

What happened

Miss E contacted RSA to make a claim following a burglary at her home. RSA investigated the claim and accepted that a burglary had taken place. However, it thought Miss E had exaggerated her claim. So, it voided the policy and declined to pay the claim.

When Miss E complained, RSA maintained its decision to void the policy and decline the claim. It said that Miss E's loss list had grown over time. It had also inspected items that had been reported as malicious damage and identified that any damage was the result of general wear and tear or normal daily use, which wasn't consistent with the reported circumstances. So, it said it had evidenced that Miss E had exaggerated her loss, which was a breach of the fraud conditions. So, it had voided the policy.

So, Miss E complained to this service. Our investigator didn't uphold the complaint. She said RSA had investigated the claim and it was reasonable for it to conclude that Miss E had exaggerated her claim.

As Miss E didn't agree, the complaint was referred to me.

I issued my provisional decision on 10 May 2023. In my provisional decision, I explained the reasons why I was planning to uphold the complaint. I said:

The policy said that where a policyholder made a false, fraudulent or exaggerated claim, RSA would refuse to pay the claim and would also decide whether to terminate the policy.

RSA investigated Miss E's claim. It said that when the police visited Miss E's home she had reported the loss of five items, along with some cash. It said no items were reported to the police as vandalised. When RSA's loss adjuster visited, RSA said Miss E reported that 23 items had been stolen and seven items had been damaged. About two months later, Miss E provided an updated list of 28 stolen items and 21 damaged items, although I note that in the letter RSA sent to Miss E that in one place it said 23 items had been damaged and in another place that it was 21 items. RSA's letter also said Miss E had said 31 items had been stolen. However, it has since confirmed to this service that it was 28 items.

RSA arranged for a supplier to inspect some of the damaged items. It then voided the policy because "all evidence from the suppliers state the alleged malicious damage is wear and tear and not consistent with the reported circumstances. As such this can be evidenced that you have exaggerated your loss and have therefore misrepresented your claim". So, I've looked at this to see if it was reasonable for RSA to reach a fraud finding on this basis.

RSA sent Miss E a letter to explain its concerns. It said:

"The loss adjuster herself has raised concerns upon inspection of the 7 items where you are alleging malicious damage has occurred.

It was suggested that the only damage to the sofa and gaming chairs were footprints. However this damage would not be deemed beyond economical repair and could be restored with general cleaning.

All other items observed by the loss adjuster were labelled as not consistent with the event and would be deemed as normal wear and tear, with the exception of the gaming table".

In my view, the concerns about these items weren't clearly explained to Miss E and I think it is difficult to understand exactly what is being alleged. However, my reading of this is that RSA was saying that three of the items discussed with the loss adjuster were assessed likely to be the result of malicious damage at that time, although two of those items could be restored through cleaning rather than needing to be replaced.

Having read the loss adjuster's report, there also seemed to be nine damaged items listed in the report and discussed with the loss adjuster, not seven as RSA later stated. These were the sofa, gaming chair and gaming table, which were considered potentially to have been maliciously damaged. Although I note that the chair in the report seems to be an armchair and I'm not clear if this was the gaming chair later referred to or a tenth item reported to the loss adjuster. There were then six further items listed in the report. These were the fridge, freezer, grill, microwave, coffee table and a blind.

For the coffee table, there is a photo labelled "Scratch to table". I'm unclear what it is a photo of, as it mainly appears to be a photo of a ceiling and light fitting. So, I currently think it is difficult to conclude there was a reliable assessment of the coffee table. There is also a photo of a blind and it is labelled "Blind on back door damaged". While I was looking at this complaint, I asked RSA to clarify which items had been reported and when. For the blind, RSA said the blind hadn't been reported while the loss adjuster was on site. However, this appears to be inconsistent with the loss adjuster's report.

For the fridge and freezer, the loss adjuster's report said: "...Miss E also advised that they had damaged the back of the fridge and freezer upon inspection this was the normal bumps of the back of the fridge and the freezer". Looking at the photos of these items in the report, these showed the front view of the fridge or freezer. I've also read an inspection report, which appears to be of either the fridge or freezer, although I don't think it is clear from the report which it was. This said the engineer wasn't able to confirm the cause of damage but that it didn't affect the functionality and that, given the damage was minor, it was more consistent with wear and tear than a burglary. Based on what I've currently seen, I don't think this in itself showed the claim for these items was fraud.

I've also looked at the concerns about the grill and the microwave. Following the loss adjuster's visit, a specialist company visited to inspect these items to check any damage and the likely cause. For the grill, the letter explaining RSA's concerns said:

"The engineer reports that upon inspection this appliance is working ok with no clear signs of damage from the incident reported. There are some minor marks/ scratches and some burnt remnants inside the oven but in the engineers' opinion this is more consistent with normal use. They could see no evidence of the oven being deliberately set alight and there does not appear to be any permanent damage."

I've read the engineer's reports for these items. On the first page, in the section headed "Cause of Damage" it described the fault as "All items are working, but are dented and smashed with hammer". This appears to be the instruction/ description to the engineer for

the inspection, although that isn't entirely clear. In the "full report" section for the grill, it described the damage found and referred to minor marks and scratches and burnt remnants being more consistent with normal use and then said the engineer "cannot rule out the possibility that paint was set alight inside but they could see no evidence of this and there does not appear to be any permanent damage". It isn't clear why the engineer considered the possibility of paint being set alight. If the first page of the report described the damage claimed for, it didn't seem to refer to paint being set alight or any form of fire.

I also looked at the photos within the reports. I don't think it is clear who took the photos and whether they were all taken by the engineer or if some of them were taken by the loss adjuster. In the report for the grill, one of the photos also seemed to show a fairly close-up photo of a scratch. However, that doesn't appear to be a photo of the grill and instead seems to be a photo of the top of the fridge or the freezer. So, I'm not currently persuaded these reports are a clear and reliable assessment of the microwave or grill in order to make a fraud finding.

RSA was also concerned about the claim for the damage to the flooring. So, it arranged for a flooring specialist to assess the floor. When RSA wrote to Miss E with its concerns about the claim it said its specialist had visited and had been "...advised of wax on the laminate flooring and paint stains on the landing/stairs carpet. The inspector raised concerns in relation to both areas of damage, and deemed the damage as not consistent with the reported circumstances.

Whilst the wax on the laminate flooring has now been removed, he questioned why a single area of wax to the flooring would have been carried out by the burglars? Not only is wax an usual substance to use for malicious damage, why aren't there more affected areas?"

I've looked at the flooring company's assessment. It said:

"Our inspector has attended to assess the damaged flooring. He too has raised concerns in regards to the reported damage and the validity of this.

The policyholder was looking to claim for wax on the laminate. However, our inspector has removed the wax from this area when he attended."

The report then commented on the paint on the carpet and questioned why a burglar would have put random patches of paint on the carpet. But the report didn't say anything further about the wax, such as questioning why only a single area was affected. All it said was that the inspector had removed the wax. The letter also said the flooring company had questioned where the paint had come from, but I didn't see this in the report provided to this service. So, based on what I've currently seen, I think the letter seemed to overstate the findings of the flooring company when RSA put its concerns to Miss E.

I'm also mindful that the volume of issues identified during a claim could be interpreted as fraud, even if individual issues might not be enough evidence on their own. I can understand that RSA was concerned by the addition of some of the damaged items and by what some of the assessments showed. However, I think the assessment of some of the items and how the allegations were put to Miss E was at times unclear and seemingly inaccurate. So, I don't currently think RSA fairly or clearly put its concerns to Miss E or that it has shown it drew a fair conclusion based on an accurate assessment of the evidence it considered.

From what I've seen, RSA didn't properly establish how many items were being claimed for as damaged or stolen. Although RSA arranged for some of the damaged items to be

assessed, I don't think it has currently shown that the conclusions it reached on some of the items was based on an accurate reading and interpretation of the report findings.

As a result, I currently intend to uphold this complaint. I also intend to say that RSA should remove the fraud finding from internal and external databases and reinstate the policy. RSA should continue to assess the claim and make a settlement for it. For avoidance of doubt, that doesn't mean RSA needs to settle every item claimed for. It can still assess the claim under the terms and conditions of the policy. However, in my view, RSA has already had sufficient opportunity to make an accurate assessment of whether fraud took place, but it didn't do so. It therefore can't now make a new fraud finding about this claim.

I also think the way the claim and the fraud allegation was handled by RSA will have caused Miss E distress and inconvenience. So, I currently intend to say RSA should pay Miss E £200 compensation.

I asked both parties to send me any more information or evidence they wanted me to look at by 7 June 2023. Both parties replied before that date.

RSA provided comments about the investigation and some documents. In summary:

- It confirmed the date of the incident and what happened at the two police visits.
- It said that when the loss adjuster visited, the loss list had grown from six items to 23 and then when it carried out an interview, it had grown to 31 items.
- It said Miss E only reported seven items as damaged, but this then doubled by the time it interviewed Miss E and that it found it inconceivable that these items wouldn't have been noticed within the 39-day period it covered.
- The loss adjuster reported that the items allegedly damaged were just normal wear and tear with the exception being the gaming table.
- The reports from the flooring and electrical supplier supported that the damage wasn't consistent with malicious damage from the theft. The appliances were confirmed as wear and tear from daily use. It questioned what the point of using these suppliers was if their reports were to be disregarded.
- It said it couldn't comment on the engineers' comments, but the report did state the damage is inconsistent and so if at any point it needed to consider these elements, Miss E should be asked to prove they were without damage in the first instance.
- While it wasn't disputing Miss E's home was broken into, there was clear evidence of exaggeration. Miss E was just using the break-in as an excuse to replace items that were damaged most likely as a result of the redecorating she was carrying out.
- It was highly unusual for thieves to waste time damaging items, especially when someone was in the property, as they would be conscious of being caught.
- It said Miss E openly admitted the house was in disarray from decorating and it could be argued that any damage could have occurred during the moving of furniture or decorating.
- Damage to the kitchen was completely unrealistic, as supported by the reports.
- Miss E's account wasn't consistent as she said she was watching TV in her bedroom but also said she was decorating.
- It believed the right decision was made, as Miss E failed to address the concerns raised completely and the amount of time it took Miss E to determine what had been stolen or damaged was unrealistic. It accepted that someone might not initially know what had been stolen. But it questioned why following the visit of a scene of crime officer that someone wouldn't take the time to see exactly what had been stolen and damaged.

Miss E said she was happy with the decision. She said she could forward photos of the damage that had still not been declared, in particular the sofa and chairs. General cleaning

hadn't been able to repair the damage, which showed the damage to these items was permanent. This was the case with other items, which showed the reports that the damage wasn't significant or could easily be fixed was wrong. Miss E didn't want RSA to underestimate the extent of the damage again.

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 uphold this complaint and for the reasons given in my provisional decision. As part of that, I considered the comments from both parties and looked again at the wider evidence.

When I made my provisional decision, I looked carefully at what had happened. I was aware of when visits took place and the timescales involved. I note that RSA has again said 31 items were later reported as stolen. This is despite me querying this with RSA previously, it checking its records and it confirming that it was 28 items. This again highlights to me the inconsistency and lack of accuracy in parts of RSA's investigation. I also remain of the view that some of the allegations put to Miss E were unclear and written in such a way that made it difficult to know what she needed to respond to, including for the damage to the sofa and gaming chair. In my view, RSA also hasn't adequately addressed issues such as the number of items listed in the loss adjuster's report or the photo that was meant to be evidence of the condition of a coffee table but seemed to be a photo of the ceiling.

I didn't disregard the evidence of the engineers who inspected the appliances and the carpets. I openly discussed my views on those reports in my provisional decision, so that RSA had the opportunity to respond to the issues I had identified. This included issues such as RSA seemingly attributing comments and findings to the person that inspected the flooring, but this information not being in their report. In response to my provisional decision, RSA provided the same report I had previously seen about the wax and paint on the floor. This still didn't show that the person had questioned why a single area of wax on the floor would have been carried out by the burglars or include the additional comments about the paint, despite RSA telling Miss E that this was what the person had said. I remain of the view that RSA overstated the findings of the flooring company when it put its concerns to Miss E.

RSA will also be aware that before I made my provisional decision I raised with it that it is fairly common in insurance claims for a policyholder to think that something was the result of an insured event but for the insurer to decide it was wear and tear. However, this didn't mean that an insurer immediately moved to the position of deciding the claim was exaggerated and making a fraud finding, as seemed to happen here. I considered RSA's response to this before making my provisional decision. I also didn't say one way or the other whether I thought it was reasonable for the engineers to decide the damage was wear and tear and I said in my provisional decision that although I intended to require RSA to assess the claim and make a settlement, I wasn't requiring it to settle every item claimed for. It could still assess the claim under the remaining terms and conditions of the policy. I'm aware Miss E offered to provide further photos. But, in my view, I don't need to see them, as I'm not deciding whether RSA should deal with those items under the claim.

I also note that RSA has suggested some other reasons why Miss E's claim was inconsistent with the circumstances. I haven't seen anything that shows me these were part of RSA's case at the time of its investigation. I have also looked again at the allegations RSA put to Miss E for response and a number of these points weren't raised at the time. So, I don't think it is fair for them now to be raised. I remain of the view that RSA has already had sufficient opportunity to make an accurate assessment of whether fraud took place and to

put its concerns to Miss E, but it didn't do so. As a result, it therefore can't now make a new fraud finding about this claim.

Having considered the evidence again, I still don't think RSA fairly or clearly put its concerns to Miss E or that it has shown it drew a fair conclusion based on an accurate assessment of the evidence it considered. I also remain of the view that RSA should pay £200 compensation because of the impact on Miss E as a result of how RSA dealt with the claim and the fraud allegations.

Putting things right

RSA should remove all references to fraud from internal and external cases for this claim and reinstate the policy. It should continue to consider the claim in line with the terms and conditions of the policy, but it cannot now make a new fraud finding. It should also pay Miss E £200 compensation.

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that this complaint is upheld. I require Royal & Sun Alliance Insurance Limited to:

- Remove all references to a fraud finding for this claim from internal and external databases.
- Reinstate the policy.
- Continue to consider the claim under the remaining terms and conditions of the policy and to make settlement for any items are assessed to be covered by the claim. It cannot now make a new fraud finding on this claim.
- Pay Miss E £200 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 23 June 2023.

Louise O'Sullivan
Ombudsman