

The complaint

Miss B complains that Wakam cancelled her home insurance policy.

Reference to Wakam includes its agents and representatives.

What happened

I'll summarise the main points about this dispute:

- Miss B took out a home insurance policy underwritten by Wakam in May 2022.
- In October 2022 she got in touch with Wakam about a crack in her living room wall. Whilst redecorating, she removed the wall covering and discovered the crack.
- Wakam arranged for a surveyor to inspect the damage. They said the damage wasn't related to subsidence but rather historic thermal expansion. The claim was declined.
- Wakam then emailed Miss B to say it could no longer provide cover to her as her home wasn't in a 'good state of repair'. It gave her the option to cancel the policy herself, or Wakam would cancel it after 21 days.
- Miss B didn't get in touch within that timeframe as she said she didn't receive the email. Wakam cancelled the policy. Miss B complained about this. Amongst other things, she said she'd repaired the crack, as the surveyor had suggested, so she didn't agree her home was in a poor state of repair.
- Wakam said the email had been sent. It also said it didn't offer cover for properties with visible cracking.
- Our investigator thought the complaint should be upheld. She said Wakam had acted fairly when it declined the claim. But she didn't think it was fair to cancel the policy. To put things right, she suggested Wakam reinstate the policy, remove any cancellation markers and pay £150 compensation.
- Miss B agreed. Wakam didn't. In summary, it made the following points:
 - To be eligible for the policy, the property must have no visible cracking.
 - When taking out the policy, if Miss B had said there was cracking, the policy wouldn't have been offered to her.
 - If the cracking appeared after the policy had been taken out, Miss B was required to tell Wakam about it. And in such circumstances, it has the right to change or cancel the policy.
 - It wouldn't be fair for Wakam to be required to provide cover for circumstances outside its eligibility criteria.
 - None of this was dependent on establishing that the property was in a 'poor state of repair'.

- As an agreement wasn't reached, the complaint has been passed to me.

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.

- There seems to be no dispute that the claim was declined fairly, so I won't comment on that in detail. But, for completeness, I agree it was declined fairly as the damage wasn't caused in a way covered by the policy.
- The dispute is about whether it was fair for Wakam to cancel the policy. So that's what I'll focus on.
- When Wakam first told Miss B it may cancel her policy, it said this was because the property wasn't in a 'good state of repair'. However, when it responded to her complaint, it didn't rely on that point any longer. Instead it said it couldn't offer cover because there was visible cracking. It has continued to rely on the latter reason during our investigation.
- It's unusual, and potentially unfair, for an insurer to rely on one reason to cancel the policy – but then put that reason aside and use another to explain why it did so. In addition, Wakam seems to have conflated two different matters when explaining why it cancelled the policy. So I'll explain things step by step.
- Wakam provided the policy to Miss B from May 2022 on the basis of certain information she provided. That included the following: "to the best of your knowledge, your property ... [doesn't] have any visible cracks". Miss B agreed that was the case.
- Miss B had a duty to provide reasonable information at that time. *If* Miss B had failed to fulfil that duty, Wakam may have been able to take action, including treating the policy as if it hadn't existed. But it hasn't argued she failed in that duty. And she's said the crack wasn't visible until October 2022, when it was revealed during redecoration. So I'm satisfied she provided reasonable information at the time and Wakam can take no action in relation to the information she gave in May 2022.
- The policy contains a term which requires Miss B to let Wakam know if any of the information given in May 2022 subsequently changed during the period of insurance. Wakam hasn't relied on this term to cancel the policy. But Miss B did let Wakam know she'd discovered a crack, so I'm satisfied she complied with the term.
- Wakam initially relied on a term which said in order to remain covered, Miss B: "must endeavour to ... ensure the premises are kept in a ... good state of repair". It said she'd failed to do this because of the crack.
- There are several reasons why I'm not persuaded it would be fair for Wakam to use this term to cancel the policy. Firstly, it's told us it's not relying on the term any longer. Secondly, Miss B repaired the crack. That was the only reason Wakam put forward to explain why it thought the premises wasn't in a good state of repair. With the crack repaired, that reason doesn't stand. Third, even if the crack hadn't been repaired at the time Wakam cancelled the policy, this term requires Miss B to *endeavour* to keep the premises in a good state of repair. I think she met that requirement by reporting the crack to her insurer, finding out whether the repair of the

crack was covered by the policy, and then taking steps to have it repaired at her own cost when she found it wasn't covered by the policy.

- Wakam says it would be unfair for it to be required to provide cover for circumstances outside its eligibility criteria. But that criteria applies when taking out or renewing a policy, not during the policy term, as I set out above. There may be policy terms which are in keeping with the criteria, such as that mentioned here. But taking that term literally would mean that any crack damage, however small or insignificant, would entitle Wakam to cancel a policy mid-term. The consequences of this can be significant to a consumer, so it may not be fair and reasonable for Wakam to apply such a term so literally in a particular case.
- So even if the three reasons above didn't apply, I would have to consider whether it treated Miss B fairly and reasonably to cancel the policy as a result of the appearance of a single crack which Wakam's own surveyor thought was of no structural significance. It's unlikely I would find it fair for Wakam to do so.
- Overall, I'm not satisfied Wakam acted fairly when it cancelled Miss B's policy. To put things right, it should reinstate the policy so that it ran until its end date in May 2023. If Miss B had any other claims to make during that time, there was a policy in place for her to do so. Wakam should also remove any record of the cancellation from any internal or external databases. That will mean Miss B is entitled to say she hasn't had a policy cancelled when she applies for insurance.
- I'm satisfied Wakam cancelling the policy has caused Miss B avoidable distress and inconvenience. She's had to spend time having it put right and has been concerned about the impact on her of having to declare a cancelled policy. I'm satisfied it would be reasonable for Wakam to pay £150 compensation in these circumstances.

My final decision

I uphold this complaint.

I require Wakam to:

- Reinstate the policy.
- Remove any record of policy cancellation from any internal and external databases
- Pay £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 7 November 2023.

James Neville
Ombudsman