

The complaint

Mr R has complained about his property insurer AA Underwriting Insurance Company Limited cancelling his policy because he hadn't declared two claims.

What happened

In 2022 Mr R arranged new cover with AA. He told AA about a claim with his previous insurer. Shortly after the cover began, AA checked the industry database and found that Mr R had made three claims with his previous insurer. It said it was cancelling his cover and he'd have to declare that to future insurers.

Mr R wasn't happy. He said he had disclosed the other two claims. AA said it had listened to the call and he hadn't. Mr R said he was an honest person and must have made a mistake, he hoped AA could be lenient with him. When AA wasn't prepared to change its mind Mr R found cover elsewhere at a higher price and complained to the Financial Ombudsman Service.

Our Investigator noted that Mr R hadn't disclosed the claims and that relevant legislation (CIDRA) allows for AA to cancel in that circumstance. So he didn't think AA had done anything wrong. Mr R remained unhappy – he said this was a minor transgression by him and he'd hoped AA could have shown some understanding and not "blacklisted" him on the industry database. His complaint was passed to me for an Ombudsman's consideration.

I felt it should be upheld. In short, I thought that AA should've allowed Mr R to cancel the cover. I said it should amend the record of the cancellation and pay £150 compensation.

AA said it had no comment to make. Mr R said he was pleased that the record of the cancellation would be changed – but that he felt the compensation award should be increased as this had been very stressful.

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.

I said provisionally:

“Having done so I'm minded to uphold it. That's because whilst CIDRA does allow AA to act like this, it also allows for the insurer letting the policyholder action the cancellation. If AA had done that then the impact of the cancellation on Mr R would have been very different.

I understand how Mr R feels – he thinks he's been made out to be dishonest but he never meant to mislead AA. On this point I need to explain that CIDRA, as a piece of legislation, was put in place to ensure that both parties know their rights and obligations when arranging insurance. CIDRA requires that the prospective policyholder takes care when arranging insurance to tell the insurer everything it asks about. And if a prospective policyholder doesn't do that, even if their omission was just due to a mistake, the insurer, if it otherwise wouldn't have entered into the contract, can still take action to end their relationship. So Mr R may feel his honesty is in doubt. But that is not the case here. AA has not sought to show Mr R acted deliberately or recklessly, only carelessly. Here it is an issue of Mr R not taking reasonable care to make sure to tell AA about the previous claims he'd had.

I know Mr R didn't view incidents with a chair as claims. But he had told his then insurer of damage which was covered by his policy. And he then had a benefit from the policy in both those instances. A claim doesn't always necessitate a benefit being derived. But here it is clear that claims were made and logged by the previous insurer. With their date meaning they were caught by the clear question AA had asked about previous claims in the last five years. So Mr R made a mistake when he thought they did not need to be disclosed, meaning he didn't take reasonable care to answer AA's question to the best of his knowledge.

AA has shown this service that had Mr R told it of these claims when asked, it wouldn't have offered him cover. Which means that Mr R made what CIDRA refers to as a qualifying misrepresentation and AA had the right to act to end the relationship.

But CIDRA recognises that having a policy cancelled for a policyholder can have significant consequences. So in the circumstance of a careless misrepresentation, where no claim has been made, CIDRA allows, where the insurer has explained it will be cancelling the policy, for the policyholder to undertake that cancellation. That way they do not have to declare to other insurers that they've had a cancellation by an insurer. And here that is all Mr R wants/wanted – to not have to declare this cancellation because it came from what he believes was an honest mistake by a loyal customer of many years.

I expect AA will think that Mr R wouldn't have taken the option to cancel, even if it had given it to him. But I don't agree. I think that in this circumstance AA should have been frank with Mr R; letting him know that whilst he could still complain, in the meantime it would either cancel the cover with all that would mean, or he could cancel it. The latter meaning he would not have to declare it. I think Mr R is a pragmatic man who would have then instructed AA to cancel the cover. So I think AA did fail Mr R by not properly informing him and giving him the reasonable choice allowed for by CIRDA – to cancel the cover himself.

I understand Mr R did find other cover following AA's cancellation. Although at an increased price. With that cover having recently been due for renewal. He can ask that insurer, and if he changed insurer at renewal, any he took out cover with then, to recalculate his premium based on him having cancelled rather than AA having done so. If he is unhappy with any answer received then he can make a further complaint about that insurer's answer. I can't reasonably require AA to make up for any increased costs Mr R incurred over and above what it had charged him for cover because that price and cover couldn't remain due to the claims which weren't disclosed. And the true price of cover was always likely to have been impacted by the correct number of claims.

I can see this has been upsetting for Mr R. I think AA should pay him £150 compensation."

I note Mr R feels the compensation award should be increased. And I do understand this has been a stressful situation for him. But I was aware of the upset Mr R had faced when I issued my provisional decision. Mr R arranged the cover in May and it was the end of June when AA wrote to him giving notice of the cancellation. It was only really at this time that Mr R started to experience distress and inconvenience, with AA issuing its final response within about six weeks and Mr R making his

complaint to us.

I know he's felt victimised by AA and let down – but I must bear in mind that he felt that because he thought it had no right to end the relationship with him. As I've explained, it did, but it should have let Mr R enact that cancellation. I remain of the view that £150 is fair and reasonable compensation in the circumstances here.

Having reviewed matters, my provisional findings have not changed. They, along with my comments here, are now the findings of this, my final decision.

Putting things right

I require AA to:

- Amend its own and any industry records to show the policy was cancelled by Mr R.
- Pay Mr R £150 compensation.

My final decision

I uphold this complaint. I require AA Underwriting Insurance Company Limited to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 2 October 2023.

Fiona Robinson
Ombudsman