

The complaint

Mr and Mrs M are unhappy that Great Lakes Insurance SE has declined a claim made on their home insurance policy for a stolen bicycle and accessories.

As Mr M has primarily dealt with things, for simplicity I'll refer to him only.

Reference to Great Lakes includes its agents and representatives.

What happened

The circumstances of this complaint aren't in dispute, so I'll summarise the main points:

- Mr M had a home insurance policy underwritten by Great Lakes which included bicycle cover. When the policy renewed in June 2022, he specified two bikes. A Brompton for £1,700 and a Cooper Oporto for £1,000.
- In December 2022, Mr M got in touch with Great Lakes after his Fairlight bike and some accessories were stolen.
- Great Lakes said Mr M hadn't specified the Fairlight bike on the policy, so the claim was declined.
- Mr M didn't think this was fair. He said he'd previously added bikes to the policy. But when he replaced the Brompton with the Fairlight, he'd forgotten to tell Great Lakes. He accepted that was a mistake, but he questioned what difference it had made to Great Lakes. And he thought it should cover the accessories regardless.
- During our investigation, Great Lakes said Mr M would have been charged a higher premium had he specified the Fairlight, as it was worth more than the Brompton and its pricing is sensitive to the bike value. The Fairlight was worth around £4,000 and Great Lakes said that would have meant around £85 of additional premium.
- Our investigator thought the complaint should be upheld. He noted that Mr M had bought the Fairlight prior to the 2022 policy renewal, so he ought to have told Great Lakes about it. If he had done so, Great Lakes would have charged a higher premium to reflect the increased risk of insuring a more valuable bike. But, aside from this, the investigator didn't think there was any other prejudice to Great Lakes. As a result, he asked it to settle the claim proportionately, based on the premium paid by Mr M compared to the premium he would have paid if he'd specified the Fairlight.
- Great Lakes didn't agree with this. It made a number of points, so I'll summarise those I think are most relevant:
 - As the stolen bike wasn't specified on the policy, Great Lakes was entitled to decline the claim for it.
 - Mr M knew he needed to specify the new bike but didn't do so. And there was around six months between him buying the new bike and the claim, so he had

ample time to specify the bike prior to the theft. None of this is the fault of Great Lakes, so it shouldn't lose out.

- Great Lakes didn't get the chance to collect the premium or assess the risk for the replacement bike, so its position has been prejudiced.
- Making Great Lakes pay towards the claim in these circumstances would make insurance contracts non-binding, introduce uncertainty, risk insolvency and could let people deliberately underinsure to reduce premiums – all of which would treat insurers unfairly.

My provisional decision

I recently issued a provisional decision in which I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

- The policy says bicycles worth over £500 need to be specified. There's no dispute that Mr M was aware of that or that all his bikes were over that value.
- I agree with Great Lakes that at the time of the renewal, Mr M ought to have told it that he no longer had the Brompton and was in the process of replacing it with the more valuable Fairlight. He'd already ordered it and paid towards it, so I think he either owned it at that time or would do so shortly. Mr M accepts it was his mistake not to tell Great Lakes about the change.
- This means that at the time of the loss, Mr M hadn't specified the stolen bike. Great Lakes' position is quite simply that it therefore has no liability to pay a claim for the bike. That may be the contractual position, but I need to consider whether that would produce an outcome that's fair and reasonable in all the circumstances.
- Where a consumer makes a mistake and doesn't provide reasonable information at a renewal, the usual remedy is to consider what impact that mistake had on the insurer. That's in line with misrepresentation principles.
- Great Lakes says it would have covered the Fairlight, but at a higher premium, as its more valuable than the Brompton. Mr M paid around £1,000 for the home policy, including the additional bike cover. Great Lakes says it would have charged around £85 extra for the new bike. That means Mr M has paid around 92% of the premium he ought to have done. The investigator effectively suggested Great Lakes pay 92% of the claim to reflect this. That comes to around £3,600.
- I've thought about the points Great Lakes has made and I agree this suggestion wouldn't treat it fairly in the circumstances of this case. It understood it was insuring a bike for £1,700 – that's what its premium and underwriting was based on. And that's what it would have factored into its wider risk management and planning. Great Lakes isn't responsible for this information being wrong. So I'm not satisfied it would be reasonable to ask it to pay more than double the specified amount for an unspecified item.
- But nor am I satisfied it would be fair and reasonable for it to decline the claim outright in the circumstances of this case. Great Lakes thought it was insuring two bikes – and that was an accurate reflection of the true position. The replacement bike was within its underwriting appetite and was, in my view, materially the same kind of item. Great Lakes has been clear that the key driver of its risk assessment is the

value of the bike, rather than the make or model. Mr M would have paid for £1,700 of bike cover within the overall premium, so I think he's entitled to that level of cover.

- Taking all of this into account, I'm satisfied the fair and reasonable outcome is for Great Lakes to settle the claim for the amount specified on the policy, £1,700, subject to the remaining terms and conditions of the policy, such as the excess and any other relevant policy limits. That includes the accessories, which the policy treats as effectively a part of the bike.

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.

- Mr M didn't respond to my provisional decision.
- Great Lakes did. It made a number of comments but largely this amounted to reiterating many of its previous points. So I won't repeat them. It also said the policy wasn't renewed as I said it had been – it was new business.
- It's clear from Great Lakes' response that it strongly disagrees with my provisional decision. I've considered its comments. But as they're mostly the same points it had made earlier, I'd already taken them into account when reaching my provisional decision. I've thought about the points carefully again, but I remain satisfied my findings produce a fair and reasonable outcome for both parties. I'll explain why.
- Great Lakes says the policy wasn't renewed in 2022 – it was new business. The policy was taken out through an intermediary, J.
- An internal document provided to us by Great Lakes says, "policy inception ... 2021" and, in relation to the 2022 policy, "renewal accept".
- The policy documents sent to Mr M in 2022 say "your [J branded] insurance has been renewed ... thank you or staying with us". So I'm satisfied the policy was renewed in 2022.
- It's possible the underwriter was different in 2021. So, to Mr M, the policy was renewed. But to Great Lakes it was new business. Even if that were the case, Great Lakes hasn't explained why it thinks this makes a difference.
- There's no dispute that Mr M replaced the Brompton with the Fairlight around the time of the 2022 policy sale/renewal and should have told Great Lakes – but he forgot to. So I'm not persuaded it makes any difference whether it was a renewal or a new policy, the underlying problem is the same.
- Overall, Mr M paid an extra premium to insure a bike for up to £1,700. He replaced it with another bike, worth at least that much, which Great Lakes was also prepared to insure.
- So whilst Mr M made a mistake by not telling Great Lakes about the change, had he told Great Lakes, it would still have insured the new bike. It would have done so for more than £1,700 and Mr M would have been charged an additional premium as a result. But my award is for Great lakes to pay up to the policy limit that was in place,

and which its premium, underwriting and wider risk management and planning was based on – £1,700.

- In these circumstances, I'm not satisfied Great Lakes has lost out as a result of Mr M's mistake. It's paying no more than it thought it was going to, for a very similar item. Whereas Mr M has lost out as a result of his mistake. For an additional premium of £85, he's likely to receive around £2,000 less for his bike but for his mistake. So I think it's clear where the loss flowing from his mistake rests.
- Great Lakes should now settle the claim, up to the £1,700 policy limit, subject to any other terms of the policy that apply, such as an excess.

My final decision

I uphold this complaint.

I require Great Lakes Insurance SE to settle the claim up to £1,700, subject to the remaining terms and conditions of the policy.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 13 October 2023.

James Neville
Ombudsman