

The complaint

Mr and Mrs H complaint that Covea Insurance plc avoided their home insurance policy and didn't deal with two claims they made as a result.

Reference to Covea includes its agents.

What happened

Mr and Mrs H held a home insurance policy with Covea. After a storm they made a claim to Covea for the damage caused to their barn.

While Covea was investigating that claim, Mr and Mrs H made a further claim for damage they thought was caused by subsidence.

Ultimately, Covea thought Mr and Mrs H had answered the question it asked about the state of the property incorrectly when they took the policy out. It thought this was a careless qualifying misrepresentation under the Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). It said this entitled it to avoid the policy and return the premium to Mr and Mrs H. Because the policy was avoided, in effect, Covea was saying it never existed, and so there was no policy for Mr and Mrs H to claim from. And as a result, it said it didn't need to deal with their claims.

Mr and Mrs H weren't happy with this and complained, but Covea didn't change its stance, so, they brought their complaint here. They didn't think the avoidance was fair. They said as well as their claims not being paid, they had an avoidance on their record, which meant they'd have to pay more for insurance going forward. They said they had to take another policy out before they would have needed to. And they weren't happy with the time it took Covea to reach its decision.

One of our Investigators recommended the complaint be upheld. They didn't think Mr and Mrs H had failed to take reasonable care when answering the question about the state of their property. So, they didn't think it was fair for Covea to avoid the policy and not deal with Mr and Mrs H's claims.

To put things right, our Investigator said Covea had to effectively reinstate the policy and assess the claims in line with the terms and conditions of that policy. They said Mr and Mrs H needed to pay back the premium they'd been refunded. But they thought Covea should pay for the additional policy they had to pay for when this policy was avoided – for the time the policy with Covea would still have been live. They thought Covea needed to remove any record of the avoidance. And for the delays and overall distress and inconvenience caused, they recommended Covea pay Mr and Mrs H £750 compensation.

Covea agreed, but Mr and Mrs H didn't and asked for an Ombudsman's decision. They didn't think it was fair they had to pay for the policy that was avoided, especially when there was no guarantee their claim would be paid.

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'm upholding this complaint. I'll explain why. I'm not going to go into detail on what's happened, that's clearly known to both parties, and is set out in our Investigator's assessment of the complaint.

Whether Mr and Mrs H made a qualifying misrepresentation under CIDRA is no longer in dispute. So I'm not going to go into huge detail on that either. Covea has accepted Mr and Mrs H didn't fail to take reasonable care when answering the question they were asked about the state of the property.

As a result, Covea has accepted it needs to put things right for Mr and Mrs H. Because there's been no qualifying misrepresentation under CIDRA, Covea isn't able to avoid Mr and Mrs H's policy. So, it needs to effectively reinstate it and remove any record of the avoidance from any internal or external records. It should provide a letter confirming this so Mr and Mrs H can take this to their new insurer to see if any refund is due.

When Covea avoided the policy, it returned the premium it received from Mr and Mrs H back to them. I'm satisfied it's fair that Mr and Mrs H effectively return that premium back to Covea. Ultimately when taking out the policy, they've agreed to pay Covea to insure them in line with the terms of the policy. So, for any claim to be considered against those terms, the premium needs to be paid. It may be that they don't need to actually hand over any money though after Covea pays the redress I'll set out below.

Covea should then assess the claims Mr and Mrs H made in line with the remaining terms and conditions of the policy. No decision has been made on those claims to date, so any decision on whether those claims get paid in line with the policy terms hasn't been considered in the scope of this complaint.

Because the policy was avoided, Mr and Mrs H had to get another policy where they wouldn't have had to do otherwise – because their one with Covea would still have been live. This new policy was likely more expensive too as a result of Covea avoiding its policy. So Covea should reimburse Mr and Mrs H the cost of this policy on a pro rata basis – based on the amount of time Mr and Mrs H would have still been covered with Covea. So if this payment is more than the premium Mr and Mrs H need to pay Covea, Covea need only pay the difference. If this payment is less than the premium Mr and Mrs H need to pay Covea, then Mr and Mrs H need only pay the difference.

There were delays in coming to Covea's decision causing both distress and inconvenience – again I'm not going to go into detail here as these are broadly accepted by both parties. The decision to avoid the policy in itself would have caused distress to Mr and Mrs H too. Having to find an alternative policy and challenge that decision will have caused inconvenience too. For that Covea should compensate Mr and Mrs H £750.

My final decision

For the reasons set out above, I uphold this complaint. To put things right, I require Covea Insurance plc to:

- Effectively reinstate the policy it avoided
- Remove any record of the avoidance from internal or external records and provide a

letter confirming this.

- Assess Mr and Mrs H's claim for storm damage and subsidence damage in line with the terms and conditions of that policy
- Calculate what it needs to refund Mr and Mrs H for the new policy they took out following the avoidance – pro rata'd for the time they'd have been covered by the policy with Covea. The premium Mr and Mrs H need to return to Covea should be offset against this. So, if the pro-rata'd new policy is more than the premium Mr and Mrs H need to return to Covea, Covea need to pay Mr and Mrs H the difference. If the return of premium is greater, Mr and Mrs H will need to pay the difference
- If any money is due to Mr and Mrs H following the above calculation, Covea should add 8% simple interest per annum on to this amount. Interest should be calculated from the date Mr and Mrs H paid for their new policy, to the date Covea makes this payment to them.
- Pay Mr and Mrs H £750 compensation

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mrs H to accept or reject my decision before 16 August 2024.

Joe Thornley
Ombudsman