

The complaint

Mr M complains about the decision by Great Lakes Insurance SE to turn down his property owners insurance claim.

What happened

Mr M holds a property owners policy with Great Lakes. In 2022 heavy rainfall caused damage to his property and he made a claim.

Great Lakes assessed the claim, and found that flooding had previously occurred near to the property. It said Mr M ought to have disclosed this when taking out the policy, and if he had done, it would have applied a flood exclusion. It applied the exclusion retrospectively and turned down the claim. Unhappy with this, Mr M brought a complaint to the Financial Ombudsman Service.

Our investigator didn't recommend the complaint be upheld. He thought Mr M had failed to make a fair presentation of the risk to Great Lakes when taking out the policy, and that it had been reasonable for Great Lakes to apply the exclusion and turn down the claim.

I issued a provisional decision on 12 April 2024. Here's what 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 relevant law I need to consider here is the Insurance Act 2015 ('the Act'). Under the Act, Mr M was required to make a fair presentation of the risk to Great Lakes when he took out the policy. In other words, he needed to tell Great Lakes everything he knew, or ought to have known, that would influence it in deciding whether to accept the risk or not.'

I've read a statement of fact that reflects the questions Mr M was asked when taking out the policy, and the answers given. He was asked:

'Is the Property in an area that has a history of flooding or where flooding has previously occurred?'

Mr M answered 'no'.

I think the question asked was vague and the answer would be based on a matter of opinion.

Great Lakes has provided me with links to news stories. These show there was flooding in the town in 2021 due to blocked drains - this was around a mile away and there was a river between the property and where it flooded. Another news story showed the town had flooded in 1987 when the river had burst its banks (though a flood wall was then built).

Great Lakes has also provided me with a flood map which shows historical flooding. It says there was previous flooding around 250 yards away from the property, and that's why it thinks Mr M ought to have answered yes to the question. I've checked the flood map online

and I see that this flooding was the incident that happened in 1987.

Mr M seems to have been aware of the 2021 flooding in the town, but says he didn't know about the 1987 flooding incident when we asked him about this. I don't think it's reasonable to say he ought to have known about this, given it happened around 37 years ago, which was before he was born.

It's not in dispute that the property itself hasn't been affected by flooding before. It seems to me that Mr M's answer was made in good faith and wasn't unreasonable given the question was unclear and the flooding he was aware of in 2021 happened around a mile away. So I don't find that Mr M failed to make a fair presentation of the risk.

I therefore intend to require Great Lakes to deal with the claim. As Mr M has paid for the repairs himself, Great Lakes should reimburse him for this plus interest. I also think Mr M has been caused unnecessary inconvenience by the matter (given he's had to arrange the repairs himself), and so I intend to require Great Lakes to pay him £300 compensation to recognise this.'

I asked both parties for any further comments they wished to make before I made a final decision.

Mr M accepted my provisional decision.

Great Lakes didn't respond with any further comments by the deadline we gave.

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.

As neither party has provided any new submissions, I see no reason to depart from the findings I made in my provisional decision. So I've reached the same conclusions, and for the same reasons.

My final decision

My final decision is that I uphold this complaint. I require Great Lakes Insurance SE to do the following:

- Settle the claim in line with the remaining policy terms. As Mr M has paid for the repairs himself, it should reimburse him for this. Interest should be added at the rate of 8% simple per annum from the date he paid for the repairs to the date of settlement*.
- Pay Mr M £300 compensation.**

*If Great Lakes considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr M how much it's taken off. It should also give Mr M a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

**Great Lakes must pay the compensation within 28 days of the date on which we tell it Mr M accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 May 2024.

Chantelle Hurn-Ryan
Ombudsman