

The complaint

Mr and Mrs H have complained about their let property insurer Great Lakes Insurance SE because, after appointing a loss adjuster and agreeing strip out works, it retrospectively applied endorsements to the policy and declined the claim.

Mrs H is named as an interested party on the policy, but Mr H is the policyholder. For ease of reading, I'll mainly refer to Mr H.

What happened

Mr H passed a spreadsheet of property details to his broker who arranged cover for his properties. Including one on "S Street", which Great Lakes covered. Cover began in June 2023 and on 20 October 2023 there was a flood. When Mr H called to make a claim, he alerted his broker to the fact that the post code for S Street was incorrect. The broker contacted Great Lakes, the claim was logged and the address changed. Great Lakes confirmed there was no change to the cover.

Following the amendment, new policy documents were provided. Great Lakes also appointed a loss adjuster. The loss adjuster facilitated contact for Mr H with a building surveyor, the adjuster then approved strip out works and costs with Mr H, recommending also that loss of rent was paid.

On 23 November 2023 Great Lakes sent an amended policy to the broker. It said the amended postcode had triggered a flood exclusion, which should have been applied when the correction and claim were first made in October 2023. It said that meant the claim should always have been declined. It later told Mr H that, as a goodwill gesture, it would cover the strip out costs it had previously agreed to.

In two letters, one issued by solicitors appointed by it, Great Lakes explained that Mr H had provided incorrect information on which the policy was based. It said if the correct information had been given, it would always have excluded flood cover. Great Lakes said there'd been an error by it in October 2023 when the exclusion wasn't applied to the policy – but that occurred after the loss, so it wasn't precluded from correcting that mistake.

When Mr H complained to the Financial Ombudsman Service, our Investigator felt the complaint should be upheld. She was of the view that in accepting the amended postcode, issuing documents, appointing a loss adjuster and agreeing costs, Great Lakes had affirmed the policy. So she didn't think it could fairly then apply the exclusion. She said Great Lakes should reconsider the claim as though there is flood cover, including covering any insured costs or losses Mr and Mrs H had incurred, plus interest. She also felt it should pay £400 compensation for the upset caused.

Great Lakes said it had confirmed the cover in error – it hadn't run its risk assessment programme when it amended the address – and then simply rectified that. It said as its error came after the loss it was unreasonable to say it couldn't correct things. Great Lakes said its error and rectification had not prejudiced Mr H as he'd benefitted from the cost of strip out

works being covered. It said it was unacceptable to ignore the fact that cover for flood was never available.

Our Investigator pointed out to Great Lakes that it was far from clear, given what happened in October 2023, what would most likely have happened in June 2023, if the correct postcode had been given then. As it was, she said, in October 2023 Great Lakes had, whilst knowing of the recent flood, accepted the risk for the correct postcode and gone on to affirm the policy. She felt Great Lakes' action had committed it to covering the loss. Great Lakes still disagreed so the complaint was referred for an Ombudsman's decision.

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 find I'm in agreement with our Investigator. I can see that Great Lakes thinks Mr H/his broker, made the initial error. And that their error was one which is covered by legislation which allows insurers to then act as they would have done if the error had not occurred. Great Lakes has explained that in length in its letters to Mr H. And if the situation in hand was one where Great Lakes had acted in line with the legislation immediately the correct detail was given to it – the outcome of any complaint Mr H may have made might have been different. But that is not what occurred.

What Great Lakes seems to be trying to gloss over here is what happened when it was given the correct postcode. It acted on the basis of the correct information to agree cover was in place. It confirmed that in writing, issuing new documentation. It further affirmed that cover by appointing a loss adjuster to manage the claim, with the loss adjuster acting on Great Lakes' behalf to agree claim costs, facilitate a surveyor's involvement and recommend settlements under the claim. It was only then, over a month since the correct information had been given and the cover accepted, that Great Lakes decided it should never have offered flood cover at all. In the circumstances it can't fairly do that.

I'm also mindful that, given Great Lakes accepted cover in October 2023, when the correct postcode was given to it, it's by no means clear that this wouldn't also have occurred in June 2023. I understand the acceptance in October 2023 occurred because correct risk procedures weren't completed by Great Lakes. I've seen nothing that makes me think the correct procedures were or would have been run in June 2023, which would have generated flood exclusions for the correct postcode. But, as I've noted above, what would or should have happened in June 2023 has been superseded by Great Lakes' actions to agree cover and affirm the policy in October/November 2023. So I'm satisfied it must now act under the policy as though flood cover was in place and resume consideration of the claim.

I can see that Mr H has been very worried since Great Lakes declined the claim – that it's unfair and unreasonable decision had a significant impact. I'm satisfied that £400 compensation is fairly and reasonably due.

Putting things right

I require Great Lakes to:

- Reconsider the claim as if flood cover applies.
- Taking into account any costs or losses usually recoverable under the policy, incurred/suffered by Mr H in the interim. To be assessed in line with the policy terms,

with interest* added to any reimbursed sums, from the date Mr H made the relevant payment until settlement is made.

- Pay £400 compensation.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require Great Lakes to take off tax from this interest. If asked, it must give Mr H a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require Great Lakes Insurance SE to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 17 July 2024.

Fiona Robinson
Ombudsman