

## **The complaint**

Mr C complains about HDi Global Specialty SE (HDi) cancelling his home insurance policy because he didn't tell them about building works at his property.

Any reference to HDi in this decision includes their agents.

## **What happened**

Mr C had a home insurance policy with HDi, which he renewed in June 2023. In October 2023 Mr C's property (a bungalow) suffered flooding, with water entering the property up to a depth of some six inches. Mr C contacted HDi to tell them about the flooding and lodge a claim for the damage.

However, when making the claim, HDi became aware the property was undergoing building works (an extension to the property) which began in August 2023. Mr C hadn't told them about the work. HDi said the nature and scope of the work fell outside their criteria for providing cover under the policy, meaning they wouldn't have provided the policy had they been told about the works. So, they considered Mr C had made a misrepresentation by not telling them about the building works, referring to policy wording requiring changes (including structural alterations to the property) to be notified to them.

They considered the circumstances of the misrepresentation, including Mr C's explanation, but they decided to cancel Mr C's policy with effect from the date the works commenced and declined to accept his claim for damage from the flood.

Unhappy at his policy being cancelled and his claim declined, Mr C complained to HDi. They didn't uphold the complaint. In their final response they said they wouldn't have provided cover under the policy had they been told about the works, but they didn't uphold the complaint. In their final response, HDi said policy wording made it clear building works needed to be declared and that if changes (such as building works) weren't declared it meant a claim might not be paid or the policy declared void (considered to have never existed). They'd informed Mr C's insurance intermediary of the policy cancellation.

Mr C then complained to this Service. He said the building work had no bearing on the damage from the flood, which was due to an extreme weather event. Financially, he wasn't able to carry out repairs to his property and replace contents damaged by the flood. HDi's decision to cancel his policy had significantly affected his physical health and wellbeing and caused him anxiety and stress. He said it hadn't been made clear at renewal of the policy he had to declare any building works and it was an innocent non-disclosure on his part. He wanted HDi to reverse the cancellation, reinstate the policy and accept his claim in full. Our investigator didn't uphold the complaint, concluding HDi didn't need to take any action. The policy terms required Mr C to tell HDi of any building works at the property and had HDi been aware of the works, they wouldn't have provided cover under the policy. So, they'd acted fairly and reasonably in cancelling the policy from the time the work commenced, applying a remedy available under the Consumer Insurance (Disclosure and Representation) Act 2012 (CIDRA).

Mr C disagreed with the investigator's conclusions and requested an ombudsman review the complaint. He said it was an innocent non-disclosure, not malicious, and he had nothing to gain from not disclosing the building works. As the works began during the policy period, it didn't occur to him to check the policy wording and thought the builder having liability cover was sufficient. The building works also had no bearing on the subsequent flooding, which was due to extreme weather.

### **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.

My role here is to decide whether HDi have acted fairly towards Mr C.

The key issue in Mr C's complaint is whether HDi have acted fairly in avoiding Mr C's policy on the grounds he didn't tell them about the building works at his property. Mr C says he made an innocent non-disclosure of the works, and it hadn't been made clear to him he needed to tell HDi about the work. HDi say the policy wording made it clear building work had to be disclosed and had Mr C done so, they wouldn't have provided cover.

HDi say Mr C made a misrepresentation by not telling them about the building works, when the policy required him to do so. In their letter cancelling the policy and declining his claim, and in their final response letter, HDi refer to the following policy wording:

“Important

Your policy documents show the information you have given us. It is important that you tell us if any of the information is wrong or if the details change during the period of insurance. If any details need to be corrected or have changed, we will work out any difference in premium from the date you should have told us about the correction or change...For example, if you change address, make any structural alterations to your property (for example, an extension, loft or garage conversion) ..., this could also mean that the terms of your insurance cover will change, or we are no longer able to provide cover.

If you do not tell us about any corrections or changes, this could mean that we do not pay your claim, we reduce the amount you can claim for, or we declare your policy void (consider it to have never existed.”

The final response also includes reference to the following additional policy document wording:

*“What are my obligations? You must:*

- *Tell us as soon as possible about any changes in your circumstances such as any building or structural changes.”*

*“Changes in your circumstances*

- *The terms of your policy and premium are based on the information you have given us. If you intend on making any changes you must tell us by calling our customer service team on [number]*
- *Any changes are subject to your insurer's agreement and may not be acceptable.*

*Changes we need to know about include:*

- *Your home is undergoing structural alteration, structural repair, restoration or renovation.*”

Similar wording about the need to tell HDi about changes in circumstances, was also included in the renewal confirmation documentation sent to Mr C at the renewal of his policy shortly before the building works began, with ‘structural alterations’ specifically mentioned.

Taking these references together, I think they make clear that changes need to be disclosed, including structural alterations, including extensions. They also make clear changes need to be notified when they occur ‘during the period of insurance’ – not just at policy renewal.

So, I’ve concluded Mr C should have been aware of the need to tell HDi about the building works at his property when, or before, they commenced in August 2023.

HDi say Mr C made a misrepresentation by not telling them about the building works. As a misrepresentation, they were entitled to avoid (cancel) the policy and decline his claim for damage from the flooding. In considering the issue, I’ve looked at whether, as HDi say, Mr C made a misrepresentation under CIDRA by not declaring the building works. Which entitled them to avoid his policy from inception and decline his claim, both being remedies available to an insurer where they consider a consumer has made a misrepresentation under CIDRA. In this case, the remedy HDi applied indicates they treated the case as a qualifying (but careless) misrepresentation.

CIDRA requires consumers to take reasonable care not to make a misrepresentation, including during a period of insurance. The standard of care is that of a reasonable consumer. If a consumer fails to do this, the insurer has certain remedies provided the misrepresentation is what CIDRA describes as a qualifying misrepresentation. For it to be a qualifying misrepresentation the insurer has to show they would have offered the policy on different terms or not at all if the consumer hadn’t made the misrepresentation.

CIDRA sets out a number of considerations for deciding whether the consumer failed to take reasonable care. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless, or careless.

HDi say Mr C didn’t tell them about the building works when they commenced. Had he done so, they would have declined to continue to provide cover under the policy. Given this, I’ve considered whether it was made clear to Mr C he should tell HDi about the building works. Given what I’ve said above and my conclusion he should have been aware of the need to tell HDi about the building works, I think it was clear.

HDi also say they wouldn’t have continued to provide cover had they known about the building works when they commenced. They’ve provided underwriting information that supports their position. So, they wouldn’t have provided the policy on any terms (rather than increasing the premium or made changes to the policy terms). So, I’ve concluded it was a qualifying misrepresentation under CIDRA.

Mr C says it was an innocent non-disclosure by not telling HDi about the building works. I don’t doubt this was the case, so I’ve concluded the misrepresentation was careless, rather than deliberate or reckless.

Given my conclusion Mr C made a careless misrepresentation when taking out the policy, I’ve also concluded that avoiding the policy (cancelling it) from the date of the works commencing (August 2023) was also reasonable as a remedy available to an insurer under CIDRA.

I've also considered Mr C's point that the flood and the damage it caused were unrelated to the building works, being the result of an extreme weather event. I agree the building works weren't connected to (or caused) the flooding and the damage. However, this doesn't; change or affect my conclusion Mr C made a qualifying, careless misrepresentation in not telling HDi about the building works. And that HDi acted fairly and reasonably in applying a remedy under CIDRA (and set out in the policy wording above) to avoid (cancel) his policy from the date of the building works commencing.

Taking all these points together, I've concluded HDi acted fairly and reasonably towards Mr C in avoiding his policy and declining his claim. So, I won't be asking them to take any action.

### **My final decision**

For the reasons set out above, my final decision is that I don't uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 18 July 2024.

Paul King  
**Ombudsman**