

## **The complaint**

Mrs G has complained about the way Tesco Underwriting Limited cancelled her home insurance policy.

## **What happened**

Mrs G says that up to 2020 her property was used as a guesthouse with five bedrooms. At that time she had a business insurance policy. She closed the business in 2020 and the property was converted to a residential property. Mrs G says she then changed her council tax status from a commercial property to a residential one, replaced her business loan with a residential mortgage and cancelled her business insurance policy.

In April 2021 she took out a home insurance policy with Tesco. She told Tesco that the property had three bedrooms and was not used for business.

In 2022 Mrs G made a claim under the policy. After investigating the claim, Tesco queried why the property was advertised online as having five bedrooms. Mrs G said that this was an old listing dating from when the property was used as a guesthouse. She said now there were three bedrooms upstairs. One of the two reception rooms which had been used as a bedroom when the property was a guesthouse was now used as a reception room again. There was an extension at the back of the house which had been the fifth bedroom but this room was only built of single bricks and not insulated. So they no longer used it as a bedroom although they had put up guests in it for two weekends in the summer of 2021. The guests had slept on a sofa and a folding bed.

Tesco said the policy would need to be updated to reflect the fact that there were five bedrooms and Mrs G would need to pay an additional premium of £57. As Mrs G didn't agree to this, Tesco cancelled the policy but said it would still cover the claim. Mrs G wasn't happy as she thought Tesco was implying she had made a misrepresentation. She said that caused her difficulty when taking out other insurance.

Mrs G brought a complaint to this service. Our Investigator recommended the complaint be upheld. She didn't think Mrs G had misrepresented the number of bedrooms at her property when she took out the policy with Tesco. She thought Tesco should remove any markers for misrepresentation from Mrs G's file and amend it to show that the policy was cancelled at her request. She also thought Tesco should pay Mrs G £200 compensation for the trouble and upset it had caused her.

As Tesco didn't agree, the matter has been referred to me.

## **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.

Tesco cancelled the policy as Mrs G refused to update the information about the number of bedrooms in her property. I'll look at whether Tesco treated her fairly in so doing.

Mrs G was asked how many bedrooms the property had. Tesco explained that:

*“A bedroom means a room used as or originally built to be a bedroom, even if it is now used for something else.”*

I can understand why, after looking at information online dating from when the property was used as a guesthouse, Tesco thought Mrs G's home might have more than three bedrooms. But I think it failed to give due consideration to her explanation about how the use of the property and her situation had changed. I note that no-one has inspected the property on behalf of Tesco which might have helped.

There are listings online for the guesthouse but the reviews all date from well before April 2021. There is nothing to indicate that it is currently a guesthouse. When the guesthouse business closed, Mrs G took all the steps to change the status of the property from commercial to residential that I would expect someone in her position to do such as changing her borrowing and council tax listing.

With regard to the layout of the property Tesco seems to have accepted that the reception room which was used as a bedroom while the property was a guesthouse shouldn't be counted as a bedroom now. But it felt that the extension which was used as a bedroom should count. Mrs G has pointed out that it was formerly a garage and is too cold to sleep in all the year round as it is built of single bricks and not properly insulated. It is now used as a dining room in summer months. I have no reason to doubt Mrs G's evidence that it is no longer used as a bedroom. In addition it was not originally built to be a bedroom. I don't think it's fair to class a former garage as a bedroom now on the basis that it was once used as one and guests slept in it twice for a few nights in 2021.

Taking everything into account I don't think Tesco treated Mrs G reasonably when it cancelled her policy. This has caused her problems when taking out other insurance which has been very inconvenient. It has understandably also been very stressful for Mrs G to be accused of not being honest to an insurer. She has been worried about losing her job through not being able to get motor insurance. Overall I think the sum of £200 is appropriate to compensate Mrs G for the trouble and upset caused by this.

### **Putting things right**

To put things right I think Tesco should:

- remove any markers for misrepresentation from Mrs G's file and amend it to show that the policy was cancelled at her request; and
- pay Mrs G £200 compensation for the trouble and upset it had caused her.

### **My final decision**

For the reasons set out above, I uphold this complaint and require Tesco Underwriting Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 26 November 2024.

Elizabeth Grant  
**Ombudsman**