

## **The complaint**

Mr and Mrs K complain Covea Insurance plc unfairly avoided their policy, and therefore refused to consider a claim they made for stolen jewellery and other items following a burglary.

Covea used agents during the claim. Covea is responsible for the actions of those agents. For ease of reading, I'll mainly only refer to Covea.

## **What happened**

Mr and Mrs K took out home insurance with Covea in September 2022. Initially Mr and Mrs K started their quote through a price comparison website (PCW), they were then referred to an intermediary's platform to finalise the insurance. The policy they took out had a contents insurance limit of £75,000 and limit of £25,000 for 'contents valuable items'. Mr and Mrs K listed two items individually worth over £2,000, a necklace and a gold set worth £8,000 and £5,000 respectively.

In November 2022, Mr and Mrs K's home was burgled, with many items taken. Mr and Mrs K made a claim on their home insurance policy. They provided a list of the items of jewellery that were stolen. Covea had the items listed assessed to determine their likely replacement value.

Based on that, Covea ultimately decided to avoid Mr and Mrs K's policy – treating it as if it never existed – and therefore declined to cover the claim. It provided a refund of the premium paid to Mr and Mrs K. Covea said Mr and Mrs K hadn't provided an accurate value of the items they'd insured. It said they were underinsured, and had they declared the true value of their valuable contents such as jewellery and gadgets, it wouldn't have offered cover, as its limit for those was £25,000.

Mr and Mrs K complained. They said they'd answered honestly and to the best of their ability. They said prices of jewellery can fluctuate over time and many items had been gifted to them so they couldn't be sure of their value.

Mr and Mrs K say they were also told by their broker that they had CCJs which hadn't been disclosed. Covea later accepted this wasn't the case, and it had given incorrect information to the broker in error. The broker paid £100 compensation to Mr and Mrs K for informing them of this.

Covea didn't agree to change its position and so Mr and Mrs K brought their complaint to the Financial Ombudsman Service for an independent review. They said reports Covea had carried out on their possessions hadn't been shared with them, and Covea had overestimated the value of many items. They said for the items stolen they were claiming just over £49,000, including the £38,000 for the jewellery, which should be paid as the policy should be valid and they had a sum insured of £75,000 for their contents.

Our investigator thought Covea had made a reasonable decision to avoid the policy and so to decline the claim. He thought Mr and Mrs K should have been aware that the valuables limit of £25,000 wouldn't have been enough, based on their two individually listed items that totalled £13,000. And he was satisfied Covea had shown it wouldn't have offered cover if Mr and Mrs K had provided the true cost of their valuables.

Mr and Mrs K didn't accept the outcome of our Investigator. They made a number of points which in summary were:

- They thought the £25,000 personal possessions limit was only for items valued individually below £2,000. And that their two items valued over £2,000 were separate from that £25,000. Essentially they thought they had £38,000 of cover.
- Given that isn't the case, Covea should have questioned them, as with the high value items included, that only left £12,000 for valuables cover for a four-bedroom home with five people living in it.
- Had Covea made it clear that the contents valuables limit also included the high value items, they'd have checked the information more closely and if needed gone elsewhere for adequate insurance.
- The loss adjuster who came to the property to value the contents did so by 'guesstimating' and that is considered acceptable to Covea. Yet when they have provided an estimate to the best of their knowledge when taking out a policy, the expectation is that they should have known better.
- Covea's error relating to the CCJ caused significant worry and shows it was never intending to pay this claim.

In September 2023 I issued a provisional decision on this complaint, a copy of my findings is below:

*Covea has effectively said Mr and Mrs K misrepresented the policy, and so it has sought to rely on the principles of misrepresentation to avoid the policy. It says had it known the true value of the items, it wouldn't have offered cover, and so has avoided the policy and therefore declined the claim.*

*Where a consumer is asked a question that is a matter of opinion, such as the rebuild value of a home or the value of contents, this Service considers whether the answers that were given were reasonable, in line with principles of insurance misrepresentation. Having done this, I intend to reach a different outcome to that of our Investigator. I intend to say that Covea hasn't fairly shown that Mr and Mrs K gave unreasonable answers to the questions they were asked, and so it can't fairly avoid the policy. I'll take into account any further information I receive in response to this provisional decision but based on what I've seen so far, I intend to require Covea to reinstate Mr and Mrs K's policy and consider their claim in line with its policy terms.*

*Covea says Mr and Mrs K misrepresented the value of their items. When it valued the jewellery items Mr and Mrs K had claimed for, it thought the replacement value was £66,000, but they only had cover for £25,000. Although I can't see that it ever shared its report, or this valuation figure, with Mr and Mrs K for their comments.*

*I've looked at what Mr and Mrs K were asked, to assess whether the answer they gave was reasonable. Covea has provided a screenshot of the PCW site Mr and Mrs K saw when applying for insurance. They were asked:*

*"How much would it cost to replace your valuable contents items worth less than £1,500 each?"*

*And*

*"Would you like to insure any valuable items individually worth £1,500 or more?"*

*Covea hasn't provided this Service with the answers that Mr and Mrs K gave to these questions. Mr and Mrs K said for the first question, they answered "£25,000". So in the absence of anything from Covea, I intend to accept what Mr and Mrs K have said on this.*

Whilst Covea hasn't shown me what they answered to the second question, I can see Mr and Mrs K did insure two items which were individually over £1,500. Covea hasn't shown what Mr and Mrs K were asked about those items during the application. But those two items, totalling £13,000, are listed on the statement of fact provided after the policy was inception.

Before I consider their answers to those questions, I'll first look at Mr and Mrs K's argument that they thought their level of cover was £38,000, not £25,000.

#### Level of valuable contents cover

Mr and Mrs K say they thought those two questions were separate. So they thought they'd insured their valuables for £25,000 + £13,000, giving the £38,000 of cover.

I can see, from reading those two questions above in isolation, why Mr and Mrs K have been given that impression. Nowhere on the screenshot provided does it set out that the limit is the total value of the items, including the high value ones. So I intend to decide they made a reasonable assumption they had £38,000 of valuable items cover. Covea hasn't provided any further screenshots of what Mr and Mrs K might have seen later on in the process, so I haven't seen anything to suggest it was confirmed that the total limit for valuables (including those over £1,500) was just £25,000.

Covea is relying on a screenshot it says they later saw, which said the following:

"we've made some assumptions about your home...we assume that you, and anyone living with you:

- Doesn't own a single valuable item (jewellery, artwork etc) worth over £15,000 or total valuables worth more than £25,000."

The screenshot says if any of the statements aren't true, Mr and Mrs K should call them. I accept this lists a total amount of £25,000. But I don't think Mr and Mrs K, bearing in mind what they'd seen before, would be aware that they didn't have a £38,000 limit of cover having read this statement.

In this above statement, it says they shouldn't have any items singularly worth over £15,000, which they didn't. But I can see that they might have thought that £15,000 related to the specified items value cover, for which they were under (as their high-value items were listed at £13,000). I don't think this statement makes it clear that even including the separately listed high value items, there is only £25,000 of cover.

So I've then considered, based on what I've set out here, whether Mr and Mrs K gave a reasonable answer in saying their items were worth £38,000. And to do so, I'll first look at the answer they gave to the first question, before considering the high value individual items separately.

#### Valuable contents items below £1,500

Leaving aside the two high-value items, there were 34 other items of jewellery on the loss list provided by Mr and Mrs K. Many items they didn't provide a value for; they provided a description. For the items they did value (which was 14 of the 34 items on the list provided) they said the value was approximately £6,000. This is approximate as they gave some values in other currencies, which I've converted into Sterling to calculate this amount. So that means for the other 20 items, which Mr and Mrs K said had been gifts, they thought the value of those was about £19,000.

However, when Covea valued the list, aided by photographs and descriptions provided by Mr and Mrs K, they said the total value of the jewellery (for the 34 items noted above) was around £46,000.

*I accept there is a large difference between those two figures, but having considered all of the evidence I have, I'm not persuaded that means Mr and Mrs K gave an unreasonable answer.*

*Mr and Mrs K were estimating the replacement value of a large number of items, some of which had been owned for many years, and many bought as gifts. For some of the items they did provide a value of, I think it was broadly in line with Covea's valuation. For example, they estimated one item (an 18ct gold chain with pearl and small diamonds) to be worth £450, whereas Covea valued it at £750. Whilst there is a difference here, I have considered that the cost of gold can fluctuate, and there is some likely subjectivity in the value of items that may differ even between jewellers. The difference isn't enough to make me think that Mr and Mrs K unreasonably undervalued this item, or any other item, when they said they all totalled less than £25,000.*

*I also can't see from Covea's evidence that Mr and Mrs K had a significant number of items that exceeded the single article limit of £2,000 (apart from those they'd specified). It seems to me they had many pieces of jewellery, and the relatively minor differences in their estimations of their value and Covea's valuation has added up to the more significant total difference. So what looks to be a large difference between Mr and Mrs K's estimated value, and Covea's, I consider is made up of small differences in each individual item. I think that can reasonably happen when a lay person is being asked to give a subjective answer about the total value of a number of items. So I'm not persuaded that Mr and Mrs K gave an unreasonable answer to the question they were asked.*

*Mr and Mrs K say despite their requests, Covea never sent them this list, with the values attached. If that is the case, I consider that was unfair of Covea. I sent a copy to Mr and Mrs K for their comments, they said in response that they felt Covea had overvalued some items. One item (a pendant with a brilliant cut diamond) had been given as a gift for a recent birthday (shortly before the burglary) and the buyer had told Mr and Mrs K it had cost them £1,200, whereas Covea had valued it at £2,500. So I think it's possible, had Covea shared the list with Mr and Mrs K during the claim process as it should have, that Mr and Mrs K would have challenged its values, that they'd likely have been able to provide compelling evidence such as receipts, causing it to have lowered its overall value of the items stolen.*

*So on balance, I'm not currently persuaded Mr and Mrs K gave an unreasonable answer to that first question that was asked, so I don't consider them to have misrepresented the value of their valuable items,*

#### *Valuable contents items worth more than £1,500*

*Turning to the high value items, again I'm considering whether Mr and Mrs K gave a reasonable answer to the question they were asked, which was "would you like to insure any items individually worth more than £1,500". I don't think this is a clear question in the context of what Covea seemingly wanted to know. It doesn't ask Mr and Mrs K to provide a value for the items and, as far as I'm aware, they weren't asked to provide an up-to-date valuation certificate from a jeweller. The only information I have from Covea is that Mr and Mrs K listed two items on their policy. I haven't been provided anything which shows Covea made it clear that it wanted to know the replacement cost of the items. So based on what I've seen, I intend to decide Mr and Mrs K answered the question they were asked, correctly.*

*So it follows that as I think Mr and Mrs K gave reasonable answers to the questions asked, it's unfair of Covea to say they misrepresented the policy. And so it's unfair of it to apply the principles of misrepresentation and avoid the policy, thereby declining the claim. So I intend to decide Covea should reinstate the policy, and consider Mr and Mrs K's claim in line with the policy terms. It should also remove any reference to the avoidance from any internal or external databases.*

### Covea's handling of the claim

*I think Covea's handling of Mr and Mrs K's claim has caused them unnecessary distress and inconvenience. It hasn't made clear to Mr and Mrs K why they were underinsured, and it doesn't seem to have provided, on request, reports carried out on Mr and Mrs K's valuables. It also gave incorrect information about CCJ's recorded against them, which caused shock and worry to Mr and Mrs K. I intend to decide Covea has treated Mr and Mrs K unfairly and this has caused them unnecessary upset. So I intend to decide Covea should also pay them £500 compensation to recognise the impact of its mistakes. To be clear this is separate and in addition to the £100 their broker paid to them.*

*I don't know what Mr and Mrs K did about their insurance cover, following Covea's avoidance. If they did get cover elsewhere and it was more expensive than the policy they had with Covea, then I'd be minded to say it should cover the difference in the cost to Mr and Mrs K. I'll take into account any information they wish to provide on this, before reaching my final decision.*

### Responses to my provisional decision

Covea didn't provide a response to my provisional findings. Mr and Mrs K were largely happy to accept the findings and outcome I said I intended to reach. They did however make the following points that they wanted me to decide on or instruct Covea to do:

- Require Covea to settle the claim within a defined timeframe and to the value set out in their initial correspondence of this Service.
- If the above isn't possible, provide a clear timeframe for Covea to handle the next steps of the claim.
- They are nervous about having to re-engage with Covea and requested I stay involved in the claim until fully settled.
- They wanted me to take into account the personal toll that Covea's handling on the claim had on them.
- They asked me to consider compensation for the loss of interest on their claim during this prolonged process.
- They don't want to drag out the complaint longer so don't want Covea to pay the difference between its policy cost and the policy they later took out.

### **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 haven't been provided any information from either party which alters the findings set out in my provisional decision. So the findings set out in my provisional decision are now that of this, my final decision. And I note Mr and Mrs K don't want me to consider the cost of their new insurance against the one from Covea, so I haven't considered this further.

I understand Mr and Mrs K's desire for me to direct a claim settlement amount, after so much time has passed since Covea unfairly avoided their policy and declined the claim. However, I think the fair and reasonable outcome is that Covea must, having reinstated the policy, consider the claim in its entirety in line with its policy terms. For example, Mr and Mrs K had raised other losses, such as for cash which Covea hasn't considered. I realise this means they'll need to reengage with Covea, but it isn't the role of this Service to decide or handle claims; we review complaints.

It is for the same reason that I'm unable to stay involved in their claim beyond issuing this final decision. I would however urge Covea, upon Mr and Mrs K accepting this final decision (if they do) to act swiftly to reinstate the policy and consider the claim. I don't think I can fairly require Covea to do this within a month or any set time period; it may for example need further information from Mr and Mrs K and wouldn't be responsible for any delay outside of its control. But if Mr and Mrs K face any further challenges with Covea in it assessing their claim, they can bring a further complaint to this Service, subject to our usual rules once Covea has had chance to consider it. I hope that provides Mr and Mrs K some reassurance.

I do recognise that Covea's poor handling of this claim will have caused Mr and Mrs K unnecessary distress and inconvenience. They've mentioned they spent around 30 hours navigating responses from Covea. This Service has general guidelines for making awards for distress and inconvenience. The award band of £300 to £750 is used for cases where the impact of a business' mistakes has caused considerable distress and inconvenience that needs a lot of extra effort to sort out, with the impact typically lasting months. I understand the burglary itself, and the loss of sentimental items will have been distressing, but that isn't something this Service can make awards for, I'm only considering the impact of Covea's mistakes. Having considered all of the above, I'm satisfied that in the circumstances, £500 is reasonable to award.

The burglary happened in 2022, and it has taken nearly two years to get to this point, so I recognise Mr and Mrs K have likely been unfairly without a claim pay-out for longer than they should have been. I'd expect Covea to factor that into any claim payment. For example, if it settles the claim in cash, or vouchers I'd expect it to add 8% simple interest onto the amount from the date it issued its unfair claim decision (which was as a result of its unfair avoidance), until the date of settlement.

### **Putting things right**

In order to put matters right, I direct Covea Insurance plc to:

- Reinstate Mr and Mrs K's policy until end of the policy term. As Covea refunded the premium paid to Mr and Mrs K, this would now be payable. Covea can factor the premium amount into any overall claim settlement.
- Remove any reference of a policy avoidance from any internal and external databases.
- Consider Mr and Mrs K's claim in line with its policy terms.
- If Covea settles any of the claim in cash or vouchers, it should add 8% simple interest per annum from the date it issued its claim decision, until the date of settlement\*.
- Pay £500 compensation

### **My final decision**

My final decision is that I uphold this complaint and I direct Covea Insurance plc to settle it in line with the 'putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K and Mr K to

accept or reject my decision before 12 November 2024.

Covea must pay the compensation within 28 days of the date on which we tell it Mr and Mrs K accept 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.

\*HM Revenue & Customs may require Covea to take off tax from this interest. If asked, it must give Mr and Mrs K a certificate showing how much tax it's taken off.

Michelle Henderson  
**Ombudsman**