

The complaint

L, a limited company, is unhappy Hiscox Insurance Company Limited cancelled its business protection insurance policy. L is represented by its director, Mr C.

What happened

L took out business protection insurance with Hiscox in December 2022. The following December Mr C contacted its broker to report a claim on its policy (following the theft of business equipment from a vehicle). Hiscox had concerns about what Mr C was reported to have told the broker about where the stolen items were in the vehicle.

Having considered further information from him it turned down the claim. Mr C said the items were placed in the front footwell of the car. But for cover to be provided the policy required they were in the storage compartment or boot. It also said it had ongoing concerns about what Mr C had said when reporting his claim. It said it would be cancelling L's policy in line with its terms and conditions.

Mr C accepted the claim wasn't covered but didn't think it was fair to cancel the policy. And he drew attention to the impact declaring that cancellation would have on L's ability to obtain insurance cover in future. Our investigator thought Hiscox had acted in line with the policy terms in cancelling the policy.

Mr C didn't agree. In summary he said:

- He'd always made clear the stolen equipment was in the front footwell of the car and believed the claim had been made on that basis. And his query over whether the policy would have provided cover if they'd been in the boot was about understanding policy coverage.
- He didn't accept he'd subsequently reverted back to saying the items were in the footwell (rather than the boot) as that's where he'd always said they were. He only submitted the claim based on advice from his broker who he spoke to for around four minutes.

He thought while Hiscox was entitled to reject his claim it shouldn't have cancelled the policy which was something L would now have to declare when applying for insurance in future. He didn't think it had acted fairly and it was making it very difficult for L to now obtain alternative insurance.

I issued a provisional decision on the complaint earlier this month. In summary I said:

I've looked at the terms and conditions of L's policy which say it will not pay for any losses caused by "Theft from an unattended vehicle, unless the item is completely hidden within the storage compartment or boot of a locked vehicle or trailer".

It's not in dispute Mr C's vehicle was unattended and he was clear in his discussion with Hiscox's claims investigator that the stolen items were in the front footwell (so not in the storage compartment or boot). And I think not complying with the requirements of the policy

increased the risk of the loss occurring in the circumstances in which it did. So I think Hiscox acted correctly and fairly in turning down L's claim.

I understand Mr C accepts that. His complaint is focussed on Hiscox's decision to then cancel L's policy because of the concerns it had about the information he provided when reporting the claim to his broker. The cancellation terms of the policy say:

"You or we can cancel the policy by giving 30 days written notice. We will give you a pro-rata refund of the premium for the remaining portion of the period of insurance after the effective date of cancellation for which you have already paid. However, we will not refund any premium:

a. under £20; or

b. if we have accepted any notification of any claim, potential claim or loss before the cancellation takes effect"

Hiscox did give the notice required under the policy prior to cancellation. And a claim had been accepted under the policy (L claimed separately for a damaged laptop). So I don't think it needed to refund the premium L paid and has acted in line with the requirements of the policy. But the cancellation of a policy is something that can have significant consequences for a policyholder. They will likely have to tell future insurers that's taken place which could impact their ability to obtain cover and the premium charged for it. So to conclude an insurer acted fairly in cancelling a policy I'd expect it to have a valid reason for doing so.

In this case Hiscox says it had ongoing concerns about the information Mr C provided when making this claim. It set out those concerns in correspondence with him. It said when he contacted the broker he initially said the stolen items were in the front footwell. But on being told that meant the claim wouldn't be covered he then said they were stolen from the boot of the vehicle. The broker asked him if that was correct and Mr C queried if the call was recorded. On being told it wasn't he confirmed the items were in the boot and the claim was submitted on that basis.

I appreciate in subsequent correspondence Mr C has been adamant he only ever said the items were in the front footwell. He says his query about the boot was in relation to general policy coverage. He says he asked whether the call was recorded because it had become protracted and he thought a full transcript would be helpful. And in a final exchange between him and the broker he says he reasserted the items were stolen from the front footwell and it was on the basis of advice from the broker the claim was then submitted.

There are clearly two very different versions of what happened during Mr C's call with the broker and there's no recording of that call. But while I've carefully considered the points Mr C has made I think it was reasonable Hiscox continued to have concerns about what happened. I say that because:

- Mr C's call wasn't to, for example, an inexperienced claims handler. It was to the broker's Head of Claims who has 17 years experience working for that broker. And it was immediately following her discussion with Mr C that she contacted Hiscox with her concerns. So I think her recollection of the conversation would have been fresh in her mind. She also emailed Hiscox to formally notify it of the loss around 15 minutes later and included those concerns in her email.*
- The claim as submitted referenced the items being in the boot of the car. I'm unclear why the email would have said that if Mr C had told the broker he wanted to make it on the basis they were in the front footwell.*

- *I've listened to the call Mr C had with Hiscox's claims investigator. The investigator asked Mr C about the conversation he had with the broker. Mr C said he told the broker the items had been stolen from the front footwell and was told the claim was unlikely to be covered. The investigator asked where the conversation went from there. Mr C said he couldn't remember and he'd been very tired. I don't think that matches with his subsequent correspondence with Hiscox in which he does comment in detail on what happened later in the call.*
- *Mr C says he asked if the call was being recorded because it was becoming protracted and he wanted a record of it. However, in response to our investigator's view he said he only spoke to the broker for "around four minutes". I'm not persuaded a call of that length could reasonably be described as protracted and is something Mr C would therefore need a recording of.*

I do appreciate in the absence of a call recording I can't be sure of what happened when Mr C spoke to his broker. But the question I need to consider is whether Hiscox had a valid reason for cancelling L's policy. For the reasons I've explained I think it was reasonable it had ongoing concerns about what was said during the broker call and whether Mr C had provided accurate information in support of L's claim. And I don't think it was then unreasonable of it to conclude it no longer wished to provide cover for L and cancel the policy as a result. I know that may have significant consequences for L and I'm sorry to learn about the impact on it and Mr C personally but I don't think Hiscox has acted unfairly here.

Responses to my provisional decision

Hiscox didn't have any further comments on what I'd said. Mr C did provide a detailed response. In summary:

- He didn't agree the information the broker provided about his call to it was a proper representation of what was said. He'd been consistent in saying the stolen items were in the front footwell. His query about the boot had only been in relation to general policy coverage. But that wasn't reflected in the information which was then sent to his insurer.
- At the time he was under a great deal of stress having been a victim of crime and having been awake for a significant period of time. He didn't agree his query about the call being recorded was suspicious. He'd checked his phone records and the call lasted 10 minutes and not the four minutes I'd referenced in my provisional decision.
- He drew attention to the impact policy cancellation would potentially have on his business and didn't accept there was an equality between his right to cancel and that of Hiscox. He didn't accept it had proper grounds for its decision.
- And he provided information in relation to his character (including information about his personal caring responsibilities) which he said supported his position that he wouldn't have attempted to deceive his insurer or be dishonest in any way.

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.

I agree with Mr C that an insurer's decision to cancel a policy is something which could have significant consequences for a policyholder. As I said in my provisional decision they will likely have to tell future insurers that's taken place which could impact their ability to obtain cover and the premium charged for it. That's why I said to conclude an insurer acted fairly in cancelling a policy I'd expect it to have a valid reason for doing so.

I've reviewed the position on that. It remains the case that the broker and Mr C have very different recollections of what happened when he discussed matters with it. I'm grateful to Mr C for sharing personal information relating to his character and setting out his position on what happened. Clearly, I can't be sure of what was said during the broker call. But that isn't something in itself I need to reach a finding on in this decision. The issue for me is whether, based on the available evidence, it was reasonable of Hiscox to cancel L's policy.

And while I've carefully considered all of the points Mr C has made, they haven't changed my thinking on that. Hiscox was contacted by the broker's Head of Claims immediately after her call with Mr H. She set out her recollection of the conversation (and associated concerns) in that call and a subsequent email. And while Mr C says discussion over what would have happened if the items had been in the boot related to general policy coverage, I don't think that obviously matches with what he told Hiscox's claims investigator. As I said in my provisional decision that investigator asked him about the broker conversation and Mr C couldn't remember what was said after telling the broker the items were in the front footwell. In addition while Mr C has now said the call lasted 10 minutes my reference to it being four minutes long was based on information he previously provided to us.

Overall, the evidence suggests to me it was appropriate of Hiscox to place more weight on the information provided by the broker than Mr C's recollections. And I think that reasonably gave it concerns as to whether Mr C had provided accurate information in support of L's claim. That formed the basis of its decision to cancel the policy. I know that has potentially serious consequences for L but I don't think Hiscox acted unfairly in making that decision.

My final decision

I've decided not to uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 20 November 2024.

James Park
Ombudsman