

The complaint

Mrs W complains that HDI Global Specialty SE (HDI) incorrectly recorded her claim as subsidence on her home insurance policy.

What happened

In August 2023, Mrs W made a claim on her home insurance policy following some cracks appearing in the external render of her property. Her builder suggested she get this investigated as it could potentially be subsidence. The claim was declined as it was found that there was no subsidence. When HDI refused further cover at renewal, Mrs W's broker found fewer insurers offered cover and at a higher premium.

Mrs W provided this Service with a copy of what was recorded on a database called Claims and Underwriting Exchange (CUE) - a database used by many insurers to record claims information. It was shown HDI had recorded the claim as cause of loss – Subsidence, heave, landslip, and description is recorded as – Closed declined gradually operating cause.

HDI says it investigated the claim but concluded the damage wasn't caused by subsidence and declined the claim. HDI says it initially recorded the claim as closed declined gradually operating cause but amended the entry on CUE to show the claim as declined – no insured peril. It says this was done prior to the renewal date meaning Mrs W should have been able to arrange adequate and competitive insurance when she renewed.

Our Investigator considered the complaint and upheld it. She felt that the claim had unfairly been recorded as subsidence even after it had been found there was no subsidence at the property. She recommended that the records be amended both internally and externally to remove any mention of subsidence and pay Mrs W £350 compensation for the upset and inconvenience to find a competitive policy elsewhere.

HDI, disagree it says it can't record the claim under anything else as it would be incorrect.

So, the complaint has been passed to me, an Ombudsman, for a final 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.

I'm satisfied the Investigator reached a fair outcome here and I consider they set out the reasons for this clearly in their view. So, I uphold Mrs W's complaint in this matter. I will add the following comments.

This decision isn't considering the reasons for HDI declining to renew Mrs W's policy that is being dealt with under a separate complaint, so this decision is only addressing how the claim has been recorded on internal and external databases.

I'm satisfied it was reasonable for HDI to record a claim on CUE. Most home insurers record claims on CUE in this manner. It's not unusual to do so and not unfair in principle – provided

the CUE record is a reasonably accurate reflection of what happened. Amongst other things, that means recording as accurately as it can the cause of damage, cost of the claim, and the claim status.

Accuracy is important as many insurers will make decisions about who to insure, and at what premium, based on CUE information. And certain causes of damage, such as subsidence, are likely to represent a significantly increased risk to insurers. That can lead to insurers refusing to offer cover, offering cover with a higher premium and/or excess as Mrs W's broker found when trying to renew her policy.

Initially it was reasonable for HDI to record a subsidence claim, as that was what they were investigating. However, once subsidence had been ruled out, the claim should not have been recorded as subsidence. I understand the claim must be recorded with a cause of damage and accidental damage is routinely used when the damage hasn't been caused in a way covered by the policy – for example, by causes such as subsidence, fire, or theft. Accidental damage tends not to be seen as presenting the kind of risk that subsidence or flood often does.

HDI has said the claim can't be logged as accidental damage because the cause of the cracking wasn't caused by how accidental damage is described in the policy – *“An identifiable incident of unexpected and unintended damage caused by sudden and external means but not through wear and tear breakdown or malfunction.”* And it says as it was not caused by an identifiable incident it could not be considered under this peril.

But the same could be said for subsidence. Subsidence is defined as the downward movement of the property, and HDI have confirmed the cracking wasn't caused by this. So, if I take this approach, whether the claim is logged as either accidental damage or subsidence, either way there was no insured peril, and the damage wasn't caused by the reason recorded on the claim. So, I think the claim should be logged in the way that will likely cause less detriment to Mrs W going forwards and I'm satisfied it is reasonable to record the claim as accidental damage in the circumstances and remove reference to subsidence.

Mrs W's broker has provided evidence that several insurers declined to offer cover due to subsidence being recorded in the claim history and she was only offered three policies from two Insurers. I'm satisfied that having subsidence referenced on the database has influenced Mrs W ability to get a policy and this has caused Mrs W stress and inconvenience, so I direct HDI to pay Mrs W £350 compensation.

Putting things right

I direct HDI Global Specialty SE to:

- Remove reference to subsidence as the cause of damage on both internal and CUE databases
- Pay Mrs W £350 compensation (It should pay this within 28 days of us telling it Mrs W has accepted my decision. If it pays later than this, it must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple).

My final decision

For the reasons given above, I uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 9 January 2025.

Angela Casey
Ombudsman