

The complaint

Mr B complains Chaucer Insurance Company Designated Activity Company (“Chaucer”) unfairly voided his home insurance policy after he made a claim following a fire at his home.

What happened

Mr B has home insurance with Chaucer. It provides cover for damage to the home caused by fire, smoke, explosions, lightning, and earthquakes, amongst other things.

In September 2023 Mr B made a claim on his home insurance policy following a fire caused by a faulty tumble dryer. He and his family were moved into alternative accommodation a few days later.

Mr B says Chaucer declined the claim and voided the policy because he declared an incorrect value for a previous claim. Mr B says the previous claim was made with the same insurer so they would have had the details on file and would have known the claim amount or would have been able to check it.

Mr B says he feels Chaucer has been trying to get out of paying the claim by accusing him of undervaluing his contents and building cover. He says the claim had already been validated in December – at the time he was told to reduce liability by moving into temporary accommodation for six months. Since the claim has been declined he’s left with an uninhabitable property. Because he wasn’t happy he complained.

Chaucer said when the matter of underinsurance was identified, the claim was referred to underwriters who agreed to provide cover up to £100,000 as a gesture of goodwill. Chaucer said after further review of the claim it was discovered Mr B failed to disclose the correct claim value for a previous claim – and if he had Chaucer wouldn’t have offered him the policy. Chaucer said the misrepresentation was careless and as such Mr B’s premiums were returned to him in full.

Mr B wasn’t satisfied with the response from Chaucer. So he referred his complaint to this service. Our investigator looked into the matter. She thought Chaucer hadn’t acted fairly based on the evidence so she said it should reinstate the policy and revisit the claim under the terms of his policy. The investigator also said Chaucer should pay £250 to reflect the distress and inconvenience caused.

Chaucer didn’t agree. It said if Mr B had declared the correct value of the escape of water claim then it wouldn’t have offered him a policy. Because Chaucer didn’t agree the complaint came to me to decide.

My provisional decision

I recently issued a provisional decision setting out my thought on the key complaint points and how I thought matters might be best resolved. I said:

A claim of this nature, with the extent of the damage in key areas of the home and to a significant amount of the family's belongings, was always likely to be a very disruptive and stressful experience for Mr B and his family. Ultimately, the fire resulted in the damage Mr B claimed for. But I've had to decide what impact Chaucer has caused over and above what might reasonably be expected, through its handling of the claim. Bearing that in mind it is my intention to uphold the complaint.

There is a lot of information about the claim Mr B made, and I've looked through what I've been provided. The detail is well-known to both parties so I haven't described the claim in any great detail here. I'll comment on any relevant evidence where appropriate to explain my decision.

The relevant law in this case is The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). This requires consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance contract. CIDRA allows an insurer to take certain remedies in situation where it can show a qualifying misrepresentation has occurred.

CIDRA sets out a number of considerations for deciding whether the consumer failed to take reasonable care. One of these is how clear and specific the insurer's questions were. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless or careless.

If the misrepresentation was reckless or deliberate and an insurer can show it would have at least offered the policy on different terms, it's entitled to avoid the consumer's policy. If the misrepresentation was careless, then to avoid the policy, the insurer must show it would not have offered the policy at all if it wasn't for the misrepresentation.

If the insurer is entitled to avoid the policy, it means it will not have to deal with any claims under it.

Chaucer says Mr B didn't disclose the correct settlement amount of his previous escape of water claim, and had it known the amount, it wouldn't have offered a policy. But it hasn't shown that it asked Mr B clear questions regarding the settlement of the claim.

As a consumer, it is not for Mr B to know what a material fact is. Rather, the obligations are on Chaucer to ask clear and specific questions to ascertain the information it requires to assess the risk. And Mr B is required to give correct and complete answers.

The question on the price comparison site says, 'How much did you claim?' If taken literally the question effectively means, 'how much did you ask for.' And there is no explanation for what that means – is it how much was claimed for, or how much was received, or how much the claim settled for.

If we agree with Chaucer and say Mr B should have understood the question to mean 'how much did you receive,' then Mr B ought to have checked and answered £16,000. But the onus is on the insurer to be clear in the question and where there isn't clarity, as is the case here, I'd expect there to be an explanation. Especially where the answer could have significant impact on the policy. But there was no explanation provided.

Furthermore if Chaucer wanted to know specific claim costs it can look those up on CUE relatively easily. And I think where it has a low acceptance threshold, as is the case here – many home insurance claims will be well in excess of £10,000 – there is more onus on Chaucer to look it up on CUE and avoid customer detriment.

Chaucer says the policy is subject to strict acceptance criteria. Those criteria provide that any proposals that disclose claims within the last three years where the value is equal to or greater than £10,000 are an automatic decline. Mr B declared £10,000 and yet he was offered a policy. So I don't think Chaucer demonstrated it wouldn't have offered Mr B a policy on those terms.

During the course of this service's investigation Chaucer said there was a drafting error in the criteria. So, the correct position actually was, had Mr B entered a value for £10,001 or more then the policy would not have been offered. But I'm not persuaded that's the case and, in any event, I don't think the initial question asked was clear enough so a misrepresentation hasn't occurred.

For the reasons given above, I don't think it was appropriate or fair for Chaucer to void Mr B's policy as there were no reasonable grounds to do so. I'm not persuaded the question asked of Mr B was clear and if it was, I think its likely Mr B would have checked the claim details before answering.

I've no doubt avoiding the policy has caused Mr B a significant amount of distress and inconvenience given the implications a voided policy can have. He would have to disclose that he'd had a policy voided, which is likely to have affected his ability to get insurance cover elsewhere and the cost of it. So he should be fairly compensated and reimbursed any financial losses as a result of Chaucer's actions.

Mr B provides compelling and consistent testimony about the impact the claim had on him and his family. It is also backed up by claim notes from Chaucer and email correspondence between the parties. I've no doubt it has been a difficult and stressful experience for Mr B. Based on what I've seen I think it's fair to conclude Chaucer haven't acted fairly towards Mr B by voiding his policy and declining the claim. I've thought about this carefully. It's not our role to punish businesses where they haven't acted fairly towards consumers but, given the circumstances, the length of time taken and the inconvenience suffered I think an award is due.

I invited both parties to let me have any further comments they wished to make in response to my provisional conclusions.

Response to my provisional decision.

Chaucer made no further comments.

Mr B asked whether Chaucer could be made to pay the original tenancy contract value for the alternative accommodation which he didn't use. I'm not able to compel Chaucer to pay this as a cash settlement as the accommodation wasn't used. We only look at what actually happened and not what may have happened.

Mr B also spent considerable funds for legal representation to bring a claim against Chaucer and wanted to know if those costs could be refunded. So, while I empathise I'm not able to direct Chaucer to reimburse those costs as they form part of a legal process that Mr B chose to undertake.

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.

In light of the fact that neither Mr B or Chaucer had anything new to add to the findings set

out in my provisional decision (which I've reproduced here and which forms part of this final decision), I'm satisfied it represents an appropriate way to resolve the dispute. For the reasons I've set out above I'm upholding Mr B's complaint.

Putting things right

Our investigator recommended Chaucer pay Mr B £250 compensation to reflect the distress and inconvenience caused. But I don't agree this goes far enough; because it's clear to me the impact of that on him and his family has caused particular stress and upset to Mr B. I consider Chaucer unfairly declining the claim in full and voiding the policy will have caused Mr B unnecessary distress and inconvenience.

I direct Chaucer to;

- Reconsider the claim in line with the remaining terms of the insurance policy;
- Remove the policy voidance along with any record of this against Mr B, and issue a letter confirming it's done so, for Mr B to provide to any current insurers;
- If there is any difference in premiums for Mr B's new home insurance policy arising from the voided policy which he is unable to recover with the current insurers by providing the letter above, Chaucer should pay the difference in cost (subject to proof being provided) plus 8% simple interest per annum from the date he paid the premium until the date he's reimbursed; and
- Pay Mr B £1,500 for the distress and inconvenience caused.

My final decision

For the reasons I've explained I'm upholding Mr B's complaint and direct Chaucer Insurance Company Designated Activity Company to put things right by doing what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 December 2024.

Kiran Clair
Ombudsman