

The complaint

Mr S complains about how HDI Global Specialty SE (“HDI”) declined a claim for flood damage and cancelled his home insurance policy. Mr S is represented in his complaint, but for ease I’ll refer to him throughout.

What happened

Mr S had a home insurance policy with HDI, taken out through a broker.

His home suffered a flood in October 2023. He contacted HDI and made a claim.

HDI sent an assessor. Mr S was placed in alternative accommodation at a cost to HDI of about £7,000. It did this on a ‘without prejudice’ basis. Then HDI cancelled his policy and declined his claim, but Mr S wasn’t told the reason for this.

He complained to HDI but still wasn’t told why his policy was cancelled, so he brought his complaint to this service.

Our investigator looked into it and thought it would be upheld. HDI confirmed that it thought Mr S had misrepresented previous flooding at his property, which is why it cancelled his cover and wouldn’t pay his claim.

Our investigator didn’t agree with HDI’s actions. He thought HDI should reinstate his policy and settle his claim, plus interest at 8% simple. He also thought it should pay Mr S £1,000 for his distress and inconvenience HDI caused him.

HDI didn’t agree and asked that his complaint was passed to an ombudsman. Because it didn’t agree, Mr S’s complaint has been passed to me to make a 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.

Having read the file of information, I’m upholding Mr S’s complaint.

I’ve looked at the application procedure Mr S went through when he applied for cover. This happened in 2019, and the information is replicated on his documents each year since.

Mr S answered “No” to this question:

“To the best of your knowledge, is the property in an area prone to flooding or within 250 metres of any rivers, streams or tidal waters”

I can see from Mr S’s claims history at the house that it suffered flooding in 1990 and 2000. There’s a different claim in about 2013.

HDI has shown this service evidence that it wouldn’t have insured Mr S’s property if it’d

known that:

“...the property was in an area prone to flooding and had flooded on two previous occasions we would not have offered any cover and in view of this the policy was voided from the inception date.”

Looking at the event in 1990, this was caused by a close-by public house causing a problem with the drains. Mr S made a claim, and the owner of the public house ultimately paid a substantial amount for the damage.

In 2000, the same establishment appears to have diverted a drain causing a field to flood following high rainfall and causing some damage to Mr S's house. Again, a claim was made. The public house made changes to its drainage.

In about 2013, Mr S's toilet backed up causing damage to two rooms in his house and he made a claim of a few thousand pounds. There's a note in the file saying that both the 2000 and 2013 events happened during periods of high rainfall.

At the centre of HDI's cancellation of Mr S's policy is that it says he misrepresented what'd happened as he hadn't told it about previous flooding.

I've thought about this, and I don't agree HDI has acted reasonably here. The two claims from 1990 and 2000 seem to have related to a next-door business's drainage arrangements.

I don't think that it's fair to say that that the floods that happened related to the “area” as asked in HDI's question.

And looking at the ca.2013 issue with the toilet backing up, I don't regard this as being a flood. I think it's fair I say I'd normally expect to see this as an escape of water claim. I note that this claim was on the original application to HDI in 2019. At this time, HDI didn't ask for further information. And as such, I think HDI had the reasonable opportunity to ask for further details about it.

What I mean by this is that I don't think it's fair that HDI says Mr S misrepresented his details when he answered its question, because the question seems to relate to flooding in the area, when his property had suffered two examples of a very particular type of seemingly highly localised flooding involving a nearby business, and from which a recovery was seemingly made.

The main thrust of HDI's questioning of Mr S seems to have been to establish whether the area was prone to flooding. And I don't agree Mr S has misrepresented his situation by answering “no”.

Especially given the decade or more between each of these situations, and the later flood that forms the subject of this complaint, I don't think I can fairly say Mr S acted unreasonably in how he answered the question put to him.

It follows that I don't think HDI acted fairly when it voided Mr S's policy and refused to pay his claim.

What this now means is HDI needs to settle Mr S's claim in line with the remaining terms and conditions of his policy.

As such, if Mr S has incurred reasonable costs for things like repairs or alternative accommodation, then HDI needs to repay him and add interest at 8% simple from the date

he made payment(s) to the date HDI makes this payment.

I've also thought about the process HDI followed when it cancelled Mr S's policy. I can see from the file that he wasn't told why this had happened or why his claim was being repudiated. It was only following his approach to this service that HDI said why it'd taken the course of action it had. And I think HDI's approach to his claim, and subsequent handling of his complaint, have caused Mr S considerable distress and substantial inconvenience over a very extended period.

I can see HDI paid for about £7,000 of alternative accommodation for Mr S and his family, and I think this was fair and reasonable.

I've thought carefully about all of this and considered this service's guidelines on compensation, and I think HDI need to pay Mr S £1,000 compensation for this.

It's my understanding that HDI has refunded Mr S's premium from inception. So HDI can deduct this premium from any payment it is now required to make under this decision.

Finally, because I don't think HDI acted correctly in voiding Mr S's policy, it needs to remove records of its cancellation from its internal database and any external database it's updated. It also needs to write to Mr S to tell him it's done this.

This point wasn't in the view, and including it here would normally mean I'd need to issue a provisional decision. But I've read about the impact of the delay on Mr S and his family's health and I think HDI now need to move swiftly to bring this matter to a conclusion. So I'm issuing this as a final decision as I regard the matter of the cancellation recording to be a minor issue.

My final decision

It's my final decision that I uphold this complaint. I direct HDI Global Specialty SE to:

- Settle Mr S's claim under the remaining policy terms. If this means it needs to refund Mr S for his costs and expenses, then it needs to add interest at 8% simple from the date he paid them to the date HDI makes this payment. If HDI considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr S how much it's taken off. It should also give Mr S a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.
- Pay Mr S £1,000 compensation for the distress and inconvenience it caused him.
- Remove details of it cancelling his policy from internal and external databases and write to Mr S telling him it's done this.

HDI must pay the amounts within 28 days of the date on which we tell it Mr S accepts my final decision. If it pays later than this, it must also pay interest on the amount from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 27 January 2025.

Richard Sowden
Ombudsman