

## **The complaint**

Mrs W complains about HDI Global Specialty SE's decision not to renew her home insurance policy.

## **What happened**

Mrs W had a home insurance policy with HDI.

In August 2023, she made a claim after she found cracks in the external render of her property. HDI declined the claim as it found no evidence of subsidence damage.

In June 2024, HDI declined to renew Mrs W's policy and she complained about its decision. She took out a new home insurance policy with a new insurer, for a total cost of £620.99.

HDI issued a complaint response in July 2024. It said it didn't decline renewal because of the previously declined claim. It said it did so because it felt a pre-purchase report of the insured property, from 1998 (the report) indicated there was previous subsidence damage or structural movement to Mrs W's property.

Mrs W referred her complaint to the Financial Ombudsman Service. She said HDI's decision, and overall actions led to her paying a higher premium at renewal, as fewer insurers were willing to provide a quote. She said the report didn't confirm there was subsidence damage or structural movement to her property.

The Investigator upheld Mrs W's complaint. They said HDI's reasons for declining renewal were not in line with its underwriting criteria. This is because there wasn't sufficient evidence to show Mrs W's property had suffered from subsidence or structural movement. They recommended HDI pay Mrs W the difference between what she paid the new insurer, and what HDI would have charged at renewal, with interest. They also recommended HDI pay Mrs W £250 compensation for the distress and inconvenience caused.

HDI didn't agree. It said the report indicated there was structural movement to Mrs W's property and this meant it was entitled to decline renewal.

Another Ombudsman at the Financial Ombudsman Service issued a final decision on a separate complaint. They directed HDI to record the declined claim under accidental damage (not subsidence).

## **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.

Each insurer is entitled to take its own view of risk, and based on that, whether to offer insurance cover to a particular policyholder. Generally, an insurer can take into account any information it wishes, when deciding how risky something is to insure. That means HDI, at renewal, was entitled to look afresh at the information it had in relation to Mrs W, and make a decision about whether to offer cover.

It isn't the role of the Financial Ombudsman Service to decide HDI's underwriting criteria, as this is its commercial decision. However, we can consider whether it has been correctly and fairly applied.

HDI has provided the Financial Ombudsman Service with a copy of its underwriting criteria. I'm satisfied this shows it would decline cover where the insured property (**and** area) has a known history or ongoing damage due to subsidence or structural movement. I've added emphasis on the word 'and', as I consider this means the criteria has to apply to Mrs W's property too. And if it doesn't, I don't think it would be fair for HDI to decline renewal. So this is what I've reviewed first.

HDI says the report shows there was structural movement to Mrs W's property. It says this because the report states "*there was no evidence of any significant structural movement*". HDI says the use of the word 'significant' suggests there was some structural movement, albeit it wasn't significant. I don't agree with HDI's interpretation. I'll explain why.

The report itself states movement is a great potential threat, and where evidence is found of this, advice would be given on what action should be taken. But I can't see the report then goes on to advise on structural movement. I think this is more likely than not because structural movement wasn't found.

In addition, having reviewed the report in full, I'm not satisfied the word 'significant' was used with the intention to indicate there was some structural movement. I say this because the same report also says there is "no evidence of any significant rot", "no evidence of any significant rising or penetrating dampness", "no significant sagging or deflection" (to the roof covering) and "no significant leakage". And the report also made no recommendations in relation to any of the areas referenced in those statements. So overall, despite the use of the word 'significant', I'm persuaded a fair interpretation of the comment in the report, is that there was no structural movement to Mrs W's property, that could fairly be considered to meet HDI's criteria for declining cover.

In light of the above, and because I consider there's insufficient evidence to show Mrs W's property had a history of subsidence damage, I don't consider the circumstances at renewal met HDI's criteria for declining cover. It follows that I don't consider HDI applied its underwriting criteria correctly and fairly, so I think it acted unfairly in declining renewal.

We've received evidence to show at the time of renewal, there were a limited number of insurers willing to provide Mrs W, due to her claims history. So I'm satisfied HDI's actions caused Mrs W some distress and inconvenience, requiring a reasonable amount of effort from her to sort out. And in those circumstances, I agree that £250 compensation is fair. So that is what I will direct HDI to pay.

Mrs W paid £620.99 to take out cover with a new insurer in June 2024. And if this is greater than the amount HDI would have charged if it had offered renewal (based on there being no underwriting features making the risk a decline, and there being a declined accidental damage claim), I think it's fair for HDI to refund Mrs W the difference. And because she would have unfairly been without any difference, I think HDI should add interest to this.

### **My final decision**

My final decision is that I uphold this complaint. Subject to my comments above, I require HDI Global Specialty SE to:

- Pay Mrs W the difference between what she paid for the policy with the new insurer in June 2024 (if greater), and what HDI would have charged for renewal at that time.

- On any difference, add interest at the rate of 8% simple per year, from when Mrs W paid for the policy with the new insurer in June 2024, to the date of settlement.\*
- Pay Mrs W £250 compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 1 August 2025.

\* If HDI considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs W how much it's taken off. It should also give Mrs W a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Monjur Alam  
**Ombudsman**