

## **The complaint**

Mr G complains about Lloyds Bank General Insurance Limited (Lloyds) declining a claim under his home insurance policy for damage at his property caused by a fire.

Reference to Lloyds in this decision includes their agents.

## **What happened**

In April 2024 Mr G returned home from work in the early hours of the morning to find there was a fire in the loft of his property, which the fire service attended and extinguished. The fire caused significant damage to the loft and most of the roof tiles fell into the loft. He contacted Lloyds to tell them about the fire and lodge a claim for the damage. Because of the damage, Mr G and his family had to move into alternative accommodation.

Lloyds had concerns about the cause of the fire, appointing a forensic examiner (H) to investigate. Based on their findings, together with those of the fire service on the likely cause of the fire, Lloyds concluded the fire was most likely caused by a resistive-heating fault at an electronic ballast used to power a cultivation lamp used during illicit cultivation.

Mr G disputed the findings and conclusions, saying any electrical items and equipment were used for other purposes, weren't energised at the time of the fire and he hadn't misused the property's electrics.

Lloyds rejected Mr G's challenge, concluding illicit cultivation and misuse of electrics constituted unlawful acts, which the policy wording excluded from cover. Lloyds also said he hadn't been honest with them and had misrepresented the circumstances of the fire and use of the attic to conceal information relevant to their assessment of his claim. So, he'd also breached the policy's fraud condition. Lloyds declined the claim and cancelled his policy from the date of his claim, retaining the premiums.

Mr G had previously complained to Lloyds about the alternative, temporary accommodation he and his family were moved into after the fire. In their initial final response, in mid-May 2024, Lloyds didn't uphold the complaint. They felt they'd acted quickly to progress Mr G's claim as the PCC and H visited the property within two working days of the claim being registered. They'd also spoken to Mr G during the claim and paid out-of-pocket expenses while he and his family had been staying in a hotel. H visited Mr G's property to complete a further review and they would contact Mr G to advise on the next steps of the claim. While accepting staying in a hotel wasn't ideal, Lloyds said they needed to establish their liability for the incident and whether they could accept the claim, before considering longer term alternative accommodation.

Following the subsequent decline of his claim and cancellation of his policy at the end of May 2024, Mr G made a further complaint.

Lloyds issued a further final response in June 2024, declining the complaint. They rejected Mr G's view there wasn't power to the loft space, other than for lighting. They also rejected his contention he hadn't bypassed the meter and his electricity consumption was normal. They also maintained their view there was electrical equipment and other evidence of plant

material and [illicit] cultivation in the loft. Lloyds also considered the electrical shocks Mr G says he received while trying to extinguish the fire indicated there were likely energised circuits in the loft that didn't benefit from the circuit-protection devices fitted to the electricity meter. Based on their rejection of points made by Mr G, Lloyds maintained their decision to decline the claim and conclusion Mr G had misrepresented the circumstances of the fire and use of the loft to conceal information relevant to their assessment of the claim. And so he had breached the policy fraud condition.

Mr G then complained to this Service. He was unhappy at being moved from temporary accommodation, often at very short notice. This was very stressful for him and his family, affecting their health and wellbeing. This had led him to rent a property for his family, at a cost of £6,000 for six months, causing him to go into debt. Lloyds' loss adjuster hadn't been responsive, so Mr G had engaged his own loss adjuster.

Mr G also challenged Lloyds' decision to decline liability for the incident because of unused equipment in his attic and he said they'd made allegations about alleged criminal behaviour without any evidence, with the police taking no action. The equipment wasn't being used at the time of the fire. He'd commissioned his own forensic investigation, costing £3,000, and sought legal advice. He wanted an apology from Lloyds and them to change their decision on liability for the claim. He also wanted reimbursement for the rent paid, the cost of food for almost two months and compensation for the stress of what had happened.

Our investigator didn't uphold the complaint, concluding Lloyds didn't need to take any action. She noted the policy wording stated a claim wouldn't be paid if caused by or resulted from an unlawful act and the policy cancelled if the policyholder had been dishonest or misrepresented the circumstances of a claim. The investigator noted the fire service report on the incident which referred to electrical equipment in the loft and other materials, concluding there was an accidental fire caused by the misuse of the property's electrics. The investigator also noted the forensic reports commissioned by Lloyds indicating plant cultivation in the attic and concluding the cause of the fire was ignition of an electrical controller used for powering lamps in the attic for plant cultivation.

Based on the reports, the investigator concluded Lloyds acted fairly in concluding Mr G had misrepresented the circumstances of the fire and so breached the policy's fraud condition. Lloyds had also acted fairly in their decision to cancel the policy from the date of the claim and retaining the premiums paid.

Mr G disagreed with the investigator's conclusions and requested that an ombudsman review the complaint. He said Lloyds had the opportunity to take samples of the plants in the attic but hadn't done so and it hadn't been proven there was any unlawful plant cultivation. Nor was the presence of plant leaves and electrical equipment proof of any unlawful act. And the police hadn't taken any action. The fire was accidental and not deliberate. And there wasn't any proof he'd committed fraud.

### **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.

My role here is to decide whether Lloyds have acted fairly towards Mr G. Given the circumstances of the case and the reasons why Lloyds declined the claim and cancelled Mr G's policy, it's important to note the remit of this Service is an informal dispute resolution service for consumers raising complaints about financial services businesses. It isn't to determine whether any unlawful act or activity has taken place, which is properly the

responsibility of the appropriate authorities, including the police and other criminal justice bodies. So, this decision doesn't consider the role or actions of those authorities.

The key issue in Mr G's complaint is Lloyds declining his claim for damage to his property from the fire, as well as cancelling his policy and retaining the premiums. Mr G is also unhappy at the arrangements for alternative accommodation following the fire and his having to move out of the property. He believes Lloyds acted unfairly in declining his claim, saying there is no proof of any unlawful act or activity. Lloyds say they acted fairly in declining the claim because they concluded the policy terms had been breached, in respect of unlawful acts and Mr G breaching the policy fraud condition.

In considering these issues, a key consideration is the circumstances of the fire and its likely cause. Given their importance to Lloyds' decision I've considered the reports from the fire service into the fire and its cause, as well as the forensic reports commissioned by Lloyds from H into the circumstances of the fire and its likely cause.

Looking at the fire service report first, dated the day after the fire, the report notes evidence of a damaged electrical installation including sockets, an electrical conductor and cabling as well as plant material in the loft. The report determination was that it was an accidental fire caused by misuse of the property's electrics. I've also seen an abstract report from the fire service, provided by Mr G, which doesn't go into detail, but does confirm the fire was accidental and caused by faulty electrical equipment. So, it doesn't contradict the earlier report made immediately after the fire.

I've also reviewed the two reports from H. The first report followed a visit a few days after the fire. The report noted various electrical items, wiring as well as evidence of plant cultivation in the loft. The report concluded electrical outlets in the loft were energized at the time of the fire. While the extent of the damage meant H couldn't investigate and determine the exact cause of the fire, he concluded it was possible the fire was caused by equipment used for supplying electricity to the loft and used for plant cultivation. And that the circuits were supplied illegally as the main meter showed evidence of being bypassed.

Based on the initial report's findings, Lloyds commissioned a second report from H (a different investigator). The second report, following a second visit the following month, sets out detailed findings about the electrical system and equipment found in the attic and it concludes:

*"The evidence of localised melting at one of the three inline connectors on the output of the electronic ballast occurred as a result of resistive heating and I consider represents the most likely cause of the fire."*

The report also concludes the evidence contradicts Mr G's account there were no electrical appliances energized at the time of the fire.

These three reports are all detailed, written by qualified individuals giving their expert opinion on the events, and I find them to be compelling evidence on the most likely cause of the fire.

I've also considered the evidence and information provided by Mr G, including his account of events. This includes his detailed challenge to Lloyds and the results of the fire service report and the reports from H (Lloyds' second final response included the challenge from Mr G in two emails in May 2024 and the response to those challenges from H). In doing so, I must consider, on the balance of probabilities, which is the more persuasive. Given the detailed content of H's reports and their response to Mr G's challenge, I'm more persuaded by them.

I've also considered what Mr G has provided from the police, containing their decision on possible criminal offences (including unlawful plant cultivation and abstraction/use of electricity). The decision records the decision as being there is insufficient evidence to proceed. I appreciate Mr G's saying this proves his innocence. However, as I set out earlier, the remit of this Service doesn't include the actions and decisions of the police – it's whether Lloyds have acted fairly and reasonably towards Mr G, in the circumstances of the case and the evidence and information available.

Lloyds say the policy excludes cover for deliberate acts, including unlawful acts. The policy wording is:

***“Deliberate acts***

*We won't pay claims caused by or resulting from any deliberate, malicious or unlawful act, or failure to act, by you, your family, your domestic staff, tenants or guests.”*

Lloyds also say Mr G misrepresented the circumstances of the fire and breached the policy's fraud condition, which states:

***“Fraud***

*We rely on you, and anyone acting for you, being honest with us. We won't pay a claim if:*

- *It is fraudulent.*
- *It is exaggerated.*
- *Untrue information has knowingly been given to us to get cover or a lower price.*

*We'll also:*

- *Cancel your policy from the date it happened, and we won't refund any of your premium.*
- *Recover any payments we have made after he fraud, or as part of any fraudulent or exaggerated claim.*

*We may also tell the police and other authorities.”*

As I've said, given the detailed examination and technical findings in H's reports, together with the fire service's findings and conclusions, I think they are persuasive, and it was reasonable for Lloyds to use them to support their decision to decline the claim on the grounds of unlawful/illicit activity. In turn this evidence supports the version of events Mr G gave for the cause of the fire does not match with the conclusions reached by these technical opinions, So I think it follows that Lloyds has acted fairly in concluding Mr G had breached the fraud condition of the policy, cancelling his policy and retaining the premiums.

I've also considered the general principle, where a policyholder makes a claim for damage or loss under a policy, the onus is on them to show there was an insured event that caused the damage or loss. In this case, there was an insured event (fire) causing damage to Mr G's property.

Where an insurer relies on an exclusion in the policy to decline a claim (as Lloyds have done by referring to the deliberate acts wording of the policy ) then the onus is on them to show

the exclusion applies. Looking at the available information and evidence, I think Lloyds have done so in the circumstances of this case.

Taking all these points together, I'm persuaded Lloyds acted fairly and reasonably in declining Mr G's claim and cancelling his policy. So, I won't be asking them to take any further action.

### **My final decision**

For the reasons set out above, it's my final decision not to uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 28 February 2025.

Paul King  
**Ombudsman**