

The complaint

Ms H has complained that her home contents insurer, Lloyds Bank General Insurance Limited ('Lloyds'), avoided her policy and refused to deal with her claim after there was a burglary at her home.

Lloyds is the underwriter of this policy i.e., the insurer. During the claim Ms H also dealt with other businesses who act as Lloyds' agents. As Lloyds has accepted it is accountable for the actions of its agents, in my decision, any reference to Lloyds includes the actions of the agents.

What happened

I issued a provisional decision regarding this complaint earlier this month. In my provisional decision I mistakenly referred to Ms H as Mrs H and I apologise for this. An extract from that decision follows:

"Mrs H made a claim on her policy after she came home one night in January 2024 and discovered that her home had been burgled. She said she found the door slightly open and noticed that there were several items missing including laptops and watches as well as cash.

In May 2024 Lloyds wrote to Mrs H and said that it was declining her claim and avoiding her policy from inception (i.e., treating it as if it never existed) because she failed to take reasonable care to disclose material information to it when taking out her policy. Specifically, Lloyds said she had failed to disclose four county court judgments (CCJs) she had against her in the five years that preceded the start of the policy. It said had it known about the CCJs it would not have agreed to offer Mrs H cover. It said it would issue a full refund of her premiums.

Mrs H wasn't happy about this and complained. She said that Lloyds' policy is poorly worded and that she hadn't withheld any material information when taking out her policy. She said that its questions were ambiguous and that she had answered everything to the best of her knowledge and belief.

Mrs H then brought her complaint to our organisation. She said that Lloyds had caused several unnecessary delays, despite her providing it with all the information it had requested. Mrs H said that in May 2024 she was told by Lloyds staff that it would pay her £5,300 for her claim but then Lloyds wrote to her on the same day to say that it wouldn't cover her claim and that it would avoid her policy. She said despite several requests, she didn't receive a final response to her complaint.

Mrs H told us that the delays made her go into debt and caused her a lot of stress. She said she needed to replace the items that were stolen because they were being used by her family for work as well as schoolwork. She said she wanted her claim to be paid in full.

Lloyds responded to Mrs H's complaint after the matter was referred to us and upheld it in part. Lloyds acknowledged that there had been delays and that there were periods where communication with Mrs H was poor. It offered Mrs H £100 compensation for the distress and inconvenience this caused her. It said that its decision to avoid the policy still stood.

Lloyds confirmed to us that it considered Mrs H's misrepresentation to have been reckless as one of the CCJs was recent. But it agreed to refund Mrs H's premium in full.

One of our investigators considered the complaint. The investigator didn't initially uphold the complaint but following further enquiries Lloyds recognised that it had made a mistake and agreed to reinstate the policy and reconsider the claim. Lloyds accepted that it hadn't specifically asked Mrs H about CCJs when she was taking out her policy. It also offered Mrs H £200 compensation for the inconvenience.

Our investigator considered Lloyds' offer to be fair and reasonable. She put the offer to Mrs H but Mrs H considered it to be unreasonable and proceeded to reject it. She repeated some of her earlier arguments and said that she was prepared to accept £5,300 to bring the matter to a conclusion. She said this figure was given to her by two different Lloyds staff and she considered this to be a promise which she relied on.

As there was no resolution, the matter was then referred to me to decide.

What I've provisionally 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.

Lloyds has now accepted it unfairly avoided Mrs H's policy and I agree. I say this because she couldn't have not taken reasonable care when answering a question, when she wasn't asked the question. So, what's left for me to decide is what Lloyds must do to put things right.

Lloyds has now offered to reinstate the policy. I think this is fair and reasonable as it puts Mrs H back in the position she would have been in had it not been for Lloyds' error. Lloyds should also remove any internal and external record of the avoidance.

Lloyds has also offered to reconsider the claim. I think this is fair in these specific circumstances and I say this because Lloyds hadn't completed its investigation into the claim when it decided to avoid the policy. So, I think it is fair that it is now able to complete its considerations. If Lloyds does proceed to pay the claim it should pay 8% interest on the claim settlement to account for the delay in settling the claim. It can also deduct the refunded premiums from any claim settlement.

I appreciate Mrs H considers Lloyds' offer to be unfair and would like Lloyds to pay her the £5,300 she says it told her it would pay her for her claim. Mrs H said she considers this to be

a collateral contract which she relied on. I'm afraid I don't agree with Mrs H's argument and I'll explain why. Firstly, I haven't seen any evidence of Lloyds telling Mrs H that it would pay her £5,300. I see that it had set a £5,300 reserve for the claim but this isn't the same as making Mrs H an offer to settle it. Secondly, even if Lloyds had told Mrs H it would pay her £5,300 before avoiding the policy, this is something that would have happened while it was still investigating the claim. From what I can see it never told Mrs H that her claim had been validated and I don't think it would be fair or reasonable for me to hold Lloyds to something its staff may have said over the phone while it was still investigating the claim. And as Mrs H has said, she received a letter on the same day from Lloyds saying that her policy was going to be avoided due to a misrepresentation. So, even if it had erroneously told Mrs H it would pay her claim over the telephone, this was quickly rectified.

I also think that Lloyds' overall compensation offer of £300 is fair and reasonable in the circumstances and it is in line with awards we would make in similar situations. There has been a long delay between Lloyds reviewing the claim and avoiding the policy, and I think it should have checked the questions Mrs H was asked when she bought the policy before avoiding it. But I've also borne in mind that the circumstances of the claim weren't straightforward and would have taken some time to complete regardless, as they included making various investigations, conducting interviews etc.

My provisional decision

For the reasons above, I intend to uphold this complaint and require Lloyds Bank General Insurance Limited to:

- Reinstate the policy and remove any record of the avoidance from internal and external databases.*
- Reconsider the claim in line with the terms and conditions. If it makes a payment to Mrs H it must also pay 8% simple interest per year on this amount starting a month from the date of the claim to the date it makes payment but it can deduct the premiums it has refunded Mrs H.*
- Pay Mrs H £300 compensation in total for the distress and inconvenience it caused her. If it has already paid the £100 it previously offered, it doesn't have to pay this again."*

Both parties responded to my provisional decision ahead of the deadline we had set for them to respond. Lloyds accepted it but Ms H didn't. She said I hadn't taken all her points into consideration and made some further comments including the following:

- She felt I had a sympathetic approach to Lloyds when I said it hadn't concluded its investigation when it offered her £5,300. Her claim was worth £7,500 and it was her understanding that the £5,300 offer was made to her after all the facts were taken into consideration including the CCJs. She was told by Lloyds' agents that the claim would be paid out once the paperwork was completed.
- Lloyds staff act on its behalf, and it is unfair to say otherwise. She was told her claim had been validated following two lengthy interviews in January and May 2024. If I listened to the calls of 8 May 2024, I would note that she was offered £5,300 by two members of

staff and that this is the figure that was recorded on the system as her settlement.

- Lloyds has not dealt with her claim with the care and skill it deserves nor has it acted in good faith. It withdrew cover suddenly and left her vulnerable. She thinks its offer is paltry and doesn't take into account the pressure she was under.
- She never received Lloyds' final response letter despite Lloyds saying it was sent by recorded delivery.
- She reiterated that important terms in the policy were not prominent or clear and were also ambiguous and, therefore, cannot be binding.

As both parties responded to my provisional decision, I decided to proceed with my 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.

Ms H said that I didn't consider all the points she made in my provisional decision. I'd like to reassure Ms H that I have considered all the points both parties made as well as all the evidence they provided. In my provisional and in this decision I addressed the points which I felt were the most relevant. No discourtesy is intended by this. Our aim is to deal with complaints as quickly as possible and with minimum formality.

Ms H said that Lloyds offered her £5,300 to settle the claim. As I said in my provisional decision, I see that this was the reserve it had set on the claim which isn't the same as making Ms H an offer. Ms H said I should listen to her calls with Lloyds on 8 May 2024 where two members of staff made this offer to her. I have seen the file notes of 8 May 2024 and nowhere do they state that an offer was made to Ms H on that or any other day. The notes show that Lloyds was still investigating and in the process of validating the claim.

As I said in my provisional decision, even if two members of Lloyds' staff offered Ms H £5,300 on 8 May 2024 to settle her claim I don't think, in these very specific circumstances, it would be fair and reasonable to say that Lloyds needs to pay this amount to Ms H and settle her claim without fully validating it first. Ms H said she received an email from Lloyds on the same day, 8 May 2024, to say that her policy was being avoided. From what I have seen, the letter was originally emailed to Ms H on 2 May 2024 but as she said she hadn't received it, it was resent on 8 May 2024. The letter listed Lloyds' concerns regarding Ms H's claim which included her CCJs. I find it unlikely that Lloyds would write to Ms H on 2 May 2024 to say it had concerns and then make her a settlement offer on 8 May 2024. But even if an offer was made to Ms H that day in error it was quickly taken back. So, I think it is unlikely Ms H would have been caused any prejudice i.e., put in a worse position than she was in.

Ms H said that Lloyds' significant terms are not clear or prominent and so Lloyds shouldn't be able to rely on them. Lloyds accepts that it made an error when it avoided the policy based on Ms H's CCJs and has acknowledged that she wasn't ever asked to declare if she had any. And it is for this reason that it has said it will reinstate the policy and reconsider the

claim. In my provisional decision I also said that it must remove any record of the avoidance. This means that Ms H's policy will be reinstated as if it had never been avoided.

I appreciate Ms H will be disappointed with my decision. Despite her complaint being upheld she feels that the offer Lloyds made her isn't enough to compensate her for the stress she suffered and the effort she put into her claim and complaint. I appreciate this but as I said in my provisional decision, I don't think this was a straightforward claim and I think Lloyds should be allowed a reasonable time to investigate it. Nevertheless, I accept that there were delays, including Lloyds issuing its final response letter which as I said in my provisional decision was provided after Ms H complained to us; but I think the £300 compensation award is fair and reasonable in the circumstances. I've also borne in mind that Ms H wasn't prevented from complaining to us despite not receiving a final response letter before bringing her complaint to our organisation. Ms H said she didn't receive the response which Lloyds said was sent by recorded delivery, but I note she received it by email as she responded to it on the same day and rejected Lloyds' £100 offer. So, I think the final response was received.

I appreciate Ms H would like her claim to be dealt with forthwith, and I would encourage Lloyds to reconsider it and complete its assessment without delay.

The rest of my findings remain the same as they were in my provisional decision and now form the findings of this, my final decision.

My final decision

For the reasons above, I uphold this complaint and require Lloyds Bank General Insurance Limited to:

- Reinstatement the policy and remove any record of the avoidance from internal and external databases.
- Reconsider the claim in line with the terms and conditions. If it makes a payment to Ms H it must also pay 8% simple interest* per year on this amount starting a month from the date of the claim to the date it makes payment but it can deduct the premiums it has refunded Ms H.
- Pay Ms H £300 compensation in total for the distress and inconvenience it caused her. If it has already paid the £100 it previously offered, it doesn't have to pay this again. It must pay the compensation within 28 days of the date on which we tell it Ms H accepts my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple*.

*If Lloyds Bank General Insurance Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms H how much it's taken off. It should also give Ms H a tax deduction certificate if she asks for one so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 17 February 2025.

Anastasia Serdari
Ombudsman