

The complaint

Mrs S is unhappy that Accredited Insurance (Europe) Ltd (Accredited) avoided her home insurance policy.

What happened

In 2021 Mrs S purchased a home insurance policy with an insurer I'll refer to as Q. This was arranged through an agent of Q's, who I'll refer to as P. And in 2022, the policy automatically renewed.

In 2023, the policy automatically renewed again. But this time P, arranged Mrs S's cover through Accredited, who it was acting on behalf of. So, any references to Accredited also include the actions of P.

In March 2024, a month before the policy was going to end, Mrs S contacted Accredited asking it not to automatically renew the policy. It agreed and asked Mrs S some questions to determine whether it could offer her alternative cover. It became apparent during this conversation that Mrs S was in the process of building two outbuildings on the same site as her home. It said had it known about this when she renewed the policy in 2023, it wouldn't have offered cover. As a result, Accredited avoided the policy.

It said at the 2023 renewal, Mrs S was asked to confirm whether the information it held for her and her property was correct, which included a question around any building work happening, to which it says Mrs S answered 'no'. Accredited thought she should have answered 'yes'.

Mrs S complained. She said the questions she was originally asked when she bought the first policy and the subsequent questions at renewal only related to building work to her home. She said there wasn't any building work happening on her home but on another part of her property. She said the questions she was asked weren't clear and she hadn't made a misrepresentation. So, she referred a complaint to this Service.

Our Investigator considered the complaint. She explained each insurers underwriting criteria varies. And as the decision to avoid a policy is ultimately that of the insurer, this Service couldn't consider the actions of each insurer as one complaint. She explained we'd need to look at the actions of both Mrs S's insurers separately.

Our Investigator therefore considered the actions of Accredited as part of this complaint. And its decision to avoid the policy from 2023 to 2024. She thought Mrs S had made a misrepresentation. And Accredited wouldn't have offered the cover without the misrepresentation, so she said Accredited was entitled to avoid the policy. She noticed Accredited had treated the misrepresentation as careless and refunded the premium Mrs S had paid towards the policy, which she felt was fair and reasonable in the circumstances. Mrs S disagreed and asked for an Ombudsman to review the complaint.

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.

I'd like to reassure the parties that although I've only summarised the background to this complaint, so not everything that has happened or been argued is set out above, I've read and considered everything that has been provided.

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 (a policy). The standard of care is that of a reasonable consumer.

And if a consumer fails to do this, the insurer has certain remedies provided the misrepresentation is - what CIDRA describes as - a qualifying misrepresentation. For it to be a qualifying misrepresentation the insurer must show it would have offered the policy on different terms or not at all if the consumer hadn't made the misrepresentation.

CIDRA sets out a number of considerations for deciding whether the consumer failed to take reasonable care. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate, reckless, or careless.

Accredited thinks Mrs S failed to take reasonable care not to make a misrepresentation at the 2023 renewal because she didn't inform it building work was taking place at the same site as her home. I've looked at the question and answers document Mrs S was sent before the policy renewed. It explained Accredited had relied on the information she'd previously provided when arranging cover. And she needed to check whether the information it held for her was correct. And if it wasn't, she needed to let it know.

I've looked at the relevant question Mrs S was asked to confirm. The question relating to building work said *“are there any renovations, major alterations, or structural building work currently taking place, or due to take place in the next 30 days?”* Mrs S had previously answered 'no' to this question and she confirmed her answer was still correct.

But Accredited says Mrs S's property was undergoing building work at the time she applied for cover. Mrs S accepts this. But she says the work wasn't happening to her home, which she says the question asked her about. Mrs S has explained the building work in question relates to the construction of two chalets approximately 10 metres from her home. She says the question Accredited asked wasn't clear and she didn't intend to insure the chalets.

I appreciate Mrs S's feelings on the matter. The question she was originally asked (relating to building work) when she first applied for cover in 2021 was worded differently to the question she was asked at the 2023 renewal. So, I appreciate why she may have felt the question was only asking about building work taking place to her home, not building work happening within the boundary of the property.

But I've looked at the question in context with the rest of the questions and answer document from 2023. It's one of a series of questions within a sub-section referred to as *“questions about your property”*. Although some of these questions specifically relate to Mrs S's home i.e. the building within the property, there's also questions that ask about the property as a whole.

For example, one of the questions asks, *“is any part of your property (including outbuildings and land) used for business purposes.”* Another asks *“within the last 10 years, has your*

property (including any outbuildings or land) or any property within 100 metres of your boundary been affected by flooding?” which I think suggests the questions aren’t specifically asking Mrs S to answer solely in relation to her home but rather her property as a whole.

And the question around building work asks more generally if there’s any building work taking place. So, I think the question was clear enough to prompt Mrs S to inform Accredited of the construction of the two chalets being built on her property.

I know Mrs S has said she didn’t want to insure the chalets and only intended to insure her home – so she didn’t think the chalets were relevant. Whilst I don’t doubt that was her intention, Accredited wanted to know if there was building work taking place nearby. It was entitled to know that information and was reliant on Mrs S answering the question reasonably in order for it to decide whether to offer insurance for her house.

As I think the answer to the question should have been ‘yes’, I’m satisfied Mrs S failed to take reasonable care when answering this question when she renewed the policy.

Accredited has provided underwriting evidence to show if it had known Mrs S’s property was undergoing building work it wouldn’t have offered the policy due to the nature of the work being carried out. Whilst Mrs S has questioned whether this would have increased the risk to her home, Accredited thinks it would have done – and, as the insurer providing the cover, it’s entitled to take the view that it won’t provide insurance in these circumstances due to the risk. And it’s shown it took that view for all policyholders, so Mrs S isn’t being treated any differently. This means I’m satisfied Mrs S’s misrepresentation was a qualifying one.

Accredited has treated Mrs S’s misrepresentation as careless. Based on Mrs S’s comments around how and why she answered the question the way she did, I think Accredited’s actions to treat the misrepresentation as careless is reasonable. I acknowledge Mrs S has said she doesn’t like the label ‘careless’. But there’s only three options under CIDRA, the other two being reckless and deliberate, which there’s no suggestion of. So, careless is by default reasonable.

As I’m satisfied Mrs S’s misrepresentation should be treated as careless, I’ve looked at the actions Accredited can take in accordance with CIDRA.

Accredited avoided the policy and refunded Mrs S the premium she paid towards the policy. As I’ve seen underwriting criteria showing it wouldn’t have offered cover had it known building work was underway at Mrs S’s property, I’m satisfied it was entitled to avoid the policy in accordance with CIDRA. And, as this means that – in effect – the policy never existed, it’s fair for it to refund the premium she paid.

As CIDRA reflects our long-established approach to misrepresentation cases, I think allowing Accredited to rely on it to avoid Mrs S’s policy produces a fair and reasonable outcome in the complaint. It follows, I don’t think Accredited need to take further action.

I understand Mrs S is unhappy with how her previous insurer also avoided her home insurance cover. This aspect of her complaint hasn’t been considered as part of this decision. If Mrs S has any concerns with the way her previous insurer, Q, avoided the policies, this would be the subject of a new complaint.

My final decision

My final decision is I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 28 March 2025.

Adam Travers
Ombudsman