

The complaint

Mr K and Mrs S complain Lloyds Bank General Insurance Limited (Lloyds) has unfairly accused them of submitting a fraudulent claim under their home insurance policy and terminating their policy.

As Mr K has been leading on this complaint, I've referred to him throughout.

What happened

The events of this complaint will be well known to both parties and so I've summarised events. In June 2023 Mr K says he had a blockage in the drainage system of his bath. He submitted a claim to his home emergency insurer who arranged for the issue to be resolved. Mr K said the issue had caused a leak through to the ceiling in his kitchen and in his hallway and so he submitted a claim to Lloyds.

Lloyds carried out some investigations which included speaking with both Mr K and Mrs S and sending an agent to review the damage.

On 22 September 2023 Lloyds made Mr K aware it would be declining his claim and terminating his insurance policy. It said it had a record of a claim Mr K submitted in 2021 for damage to his hallway ceiling which had been declined. It said the damage Mr K was now claiming for matched the damage Mr K had attempted to claim for in 2021. It said Mrs S told it the hallway damage had previously been repaired, but no invoice or evidence could be provided to demonstrate this.

Lloyds said it believed Mr K had knowingly provided false information in an attempt to claim for damages which he was aware were not caused as a direct result of the incident he presented. It said it would be declining Mr K's claim, terminating the policy and retaining the premium in accordance with the policy terms. It said it would also be sharing this information with fraud agencies/databases.

Mr K didn't think this was reasonable and so raised a complaint. He said he was also unhappy with the way the claim had been handled, specifically in relation to delays, the wording in Lloyds's correspondence and the claim consultant who visited his property.

On 6 October 2023 Lloyds issued a final response on the complaint. It said it would be maintaining its decision to decline Mr K's claim and terminating his policy for the reasons it had previously explained. It didn't think its claim handler who visited Mr S's property had acted unreasonably. It also said the wording in its correspondence wasn't intended to cause upset but to make sure all information was provided. It said it had taken longer than it should have done for someone to visit Mr K's property and paid £75 compensation.

Mr K didn't agree with this and so referred his complaint to this Service. He said he hadn't attempted to present the hallway damage as a new incident. He said he thought he could claim for it because the incident in 2023 had caused further damage in addition to the existing damage. He said neither he, nor Mrs S had said there was no previous damage to the hallway ceiling or that it was fixed in 2021.

Our investigator looked into things. She said she thought Mr K had a reasonable belief he could claim for the damage that was present. And whilst she thought it was reasonable for Lloyds to decline the claim, she thought Lloyds should remove any fraud/cancellation markers, reinstate Mr K's policy and pay £200 compensation.

Lloyds didn't accept our investigator's view. It provided a detailed response, but in summary it said Mrs S had said there was no existing damage to the hallway ceiling at the time of the incident, and later that repairs had been carried out, whilst Mr K had said the damage in 2021 was minor. It said the evidence provided contradicted these statements and therefore it had invoked the fraud condition. It also said it believed the damage to the kitchen ceiling had been ongoing for some time and so Mr K hadn't accurately presented his claim by failing to disclose the 'obvious' pre-existing damage to the kitchen ceiling prior to his 2023 claim.

I issued a provisional decision not upholding this complaint and I said:

'I want to acknowledge I've summarised Mr K's claim in less detail than he's presented it. I've not commented on every point he has raised. Instead, I've focussed on what I consider to be the key points I need to think about. I mean no discourtesy by this, but it simply reflects the informal nature of this Service. I assure Mr K and Lloyds I've read and considered everything that's been provided. I've considered the key points separately.'

Claim decline and policy termination

Lloyds have sought to rely on the fraud term when terminating Mr K's policy and declining his claim, so I'll start by reviewing the terms of Mr K's policy which state:

'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 at 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 the fraud, or as part of any fraudulent or exaggerated claim.*

We may also tell the police and other authorities'

So it's clear to me Lloyds can cancel a policy and take the above actions if it discovers someone has acted fraudulently, given untrue information or exaggerated a claim.

When considering this complaint, I have to decide whether Lloyds have acted fairly by invoking the fraud condition on Mr K's policy. To do this I've looked at what Mr K has said and the evidence around this.

Mr K originally submitted a claim to Lloyds for damage to his hallway ceiling in 2021.

In the email Mr K sent Lloyd's from 2021 he has said:

'The reason I had to do it ASAP before I contact you, because at some point the leakage was so severe to the extent that the water leakage caused an electricity cut, and voice of explosion, came out from the bulb of the down stair hall, and there is still a power cut to this area.

...

As a result of this significant damage and leak, there is significant cracks and gap of the ceiling underneath, I attached a picture.

...

'I need advice from you re the ceiling of the hall, it needs fixing ASAP. I am worry that it can come off. This happened to the ceiling of the kitchen about 4 years ago. Also there is still a power cut of the hall area.'

So it's clear to me that in the 2021 claim, Mr K reported, 'significant cracks and gap' of the hallway. I've seen the photo from this time that reflects that.

Mr K has said the damage to the hallway ceiling from 2023 is not similar to the damage of 2021. He said there are big gaps in the ceiling in 2023 and there was a power cut of the electricity in the hall. The photograph Mr K provided of the damage in 2021 shows cracks and gaps in the ceiling. When comparing these photos to those taken in 2023, the damage appears largely unchanged. Lloyds have argued there was no further damage and therefore Mr K's claim was for damage not caused by a one off event, and was a matter he'd previously claimed for which was declined. Whilst Mr K has said there was further damage, including a power cut in 2023, the damage he has reported in 2023 is the same as the damage he reported in 2021 including experiencing a power cut.

Lloyds pointed to the similarity of the damage in photos and said the 2023 photo just shows a natural progression of existing damage. Having reviewed this myself I'm minded to agree this is what appears to have happened. I don't think Mr K has provided persuasive evidence further damage was caused to the hallway ceiling following the incident in 2023.

During its investigation into Mr K's 2023 claim Lloyds asked him whether he had any damage to the hallway or kitchen ceiling before. He said, 'the new thing is the ceiling for the front hall, but the ceiling in the kitchen was fixed before.' From what I've seen, at no point during Mr K's claim did he say there was previous damage to the hallway ceiling, or that the incident in 2023 had made existing damage worse. Mr K only said this once his claim had been declined and his policy cancelled.

The notes from the handler who visited Mr K's property say he asked Mrs S whether there was any prior damage to the kitchen or hallway ceiling, and she advised there wasn't. When he explained there was a record of a claim from 2021 Mrs S said Mr K dealt with these issues and so she didn't know. The handler asked whether the shower was resealed and the damage from 2021 was dealt with and Mrs S said it was, but Mr K had dealt with this. Mr K has said he had paid to have the shower cabinet fixed in 2021 but hadn't had the hallway ceiling fixed. He said there may have been some confusion caused in relation to this particularly as English isn't Mrs S's first language.

Whilst I can accept some confusion may have been caused in relation to whether the bathroom or the ceiling was repaired in 2021, I'm satisfied it's more likely than not Mrs S had said there was no previous damage to the hallway ceiling based on the report by Lloyds's handler who visited the property. Given the extent of the damage, and given Mrs S lives in the home, I think Mrs S would have been aware of the damage caused to the hallway ceiling in 2021 and that it hadn't been repaired previously.

Taking everything into account I don't think Lloyds have acted unfairly or outside of the terms and conditions of the policy by invoking the fraud term, declining Mr K's claim and cancelling his policy. Lloyds has put forward that Mr K was aware there was pre-existing damage to his hallway ceiling and has attempted to present this as new damage caused by the unrelated incident in 2023. Having reviewed everything I'm satisfied Lloyds have taken into consideration all of the available evidence and its conclusion is a fair one. I also don't think it is unreasonable for Lloyds to share information with fraud agencies/databases as the policy terms explain it will do.

Customer service

Lloyds have accepted it made an error during the claim. It said it took longer than it should have done for someone to visit Mr K's property and Mr K had spent time chasing it. It has paid Mr K £75 compensation and so I've considered whether this is reasonable for the impact caused to Mr K.

Mr K was caused unnecessary inconvenience having to call Lloyds on more than one occasion for an update and the delay in getting an answer to his claim. However I think the £75 compensation Lloyd's have offered fairly addresses the relatively minor inconvenience this has had on Mr K.

Mr K was unhappy the handler who visited his property continued to ask Mrs S questions about the damage to the property. He was also unhappy with the wording Lloyds used in its correspondence. Given Mrs S lives at the property and is named on the policy I don't think it was unreasonable for the claim handler to ask her questions about the damage to the property. I've also reviewed the correspondence Lloyds have sent Mr K in relation to his claim and I'm satisfied the wording it used isn't unreasonable or inappropriate.'

Lloyds accepted my provisional decision but Mr K rejected it. He provided a detailed response but in summary:

- He doesn't think any weight can be attached to the report from the 'Disaster Team' who attended his property on 4 June 2023 as this hasn't been provided to him despite requests.
- He hasn't been provided with all documents relating to the claim he made in 2021 and so this can't be relied upon either.
- The visit by the claim handler was inappropriate due to Mrs S's limited grasp of the English language. He doesn't think the answers she provided can be relied upon
- He believes he has been discriminated against – but has not expanded on this.
- He rejected two previous offers of compensation which he says support that he is not acting fraudulently. He said he wouldn't have proceeded with this complaint if this matter was an exercise of looking to gain financially. He also said he wouldn't have

gained financially to any significant sum – indicating that the value involved would not reasonably amount to fraudulent behaviour.

So the matter has been passed back to me for a 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.

Having done so I'm not departing from the decision I reached previously and I'm still not upholding this complaint. I'll explain why, addressing Mr K's most recent comments in turn.

- Mr K has said it isn't reasonable to rely on a report from the 'Disaster Team' who attended his property on 4 June 2023 as a copy of this hasn't been provided to him. A report from 4 June 2023 hasn't been provided to this Service and therefore hasn't been relied upon as part of this decision.
- Lloyds have provided a copy of an email sent from Mr K's home emergency provider to Lloyds confirming it attended Mr K's property. A copy of this email has previously been sent to Mr K by Lloyds. And so I'm satisfied Mr K has been provided with the evidence that has been provided to this Service in relation to this visit. But in any event, Lloyds haven't disputed Mr K had a blockage in his bathroom in June 2023, and so I don't consider this to be key evidence in the circumstances of Mr K's complaint.
- Mr K has said he hasn't been provided with all of the correspondence from his claim in 2021. Lloyds have provided the email Mr K sent when he reported his claim in 2021, and the photographs of the damage from 2021. This has also been sent to Mr K by Lloyds. Therefore, I'm satisfied all of the evidence from the 2021 claim which has been relied upon to reach my decision has been provided to Mr K.
- Mr K has said the visit by the 'Disaster Team' was inappropriate due to the questions asked. This would have been arranged by Mr K's home emergency insurance provider, which is separate to Lloyds. Therefore, if Mr K has concerns about the way this visit was conducted, he would need to raise this with the insurer responsible.
- Mr K has indicated Mrs S wouldn't have understood the questions or her answers would be unreliable. From what I've seen, the information Lloyds obtained from Mrs S during its investigation involved matters such as whether the damage was already present, or when repairs had been carried out previously. So, while I would expect Lloyds to take into account any language barriers when carrying out such investigations, I'm satisfied it was reasonable for Lloyds to have sought her submissions given she lives at the property and is named on the policy. And Lloyd's claim decision wasn't solely based on the information Mrs S provided, but all of the evidence it gathered. This includes information Mr K provided when he submitted his claims, and the conversation it had with Mr K before the property visit took place. For the reasons I've explained, I think Lloyds have fairly taken into consideration all of the evidence available to it when it has made its claim decision, and I think the decision it reached was a reasonable one.
- Mr K has said he believes he has been discriminated against. He's been unclear on what grounds, but in any case, I don't have the power to find whether Mr K has been discriminated against, or whether there has been a breach of the Equality Act 2010. Only a court can do that. However, I'm able to consider whether Mr K has been

treated fairly and reasonably in the circumstances which is what I have done. And from what I've seen, I've not seen Lloyds engage in practices or processes it wouldn't have applied to other customers, and I'm satisfied it has fairly handled the matter as I've outlined previously.

- Mr K has said he has refused two previous offers of compensation, which he wouldn't have done if this exercise had been to gain financially. And he said he wouldn't have gained financially to any significant sum to suggest the claim could be considered fraudulent. Mr K is entitled to reject the compensation offered to him, but I don't think this demonstrates Lloyds have acted unreasonably by invoking the fraud clause in his policy. Nor do I think Mr K's comments that the claim has a low value alters whether it was reasonable for Lloyds to invoke the fraud clause in the circumstances of this claim.

For the reasons I've explained I'm satisfied Lloyds have taken into consideration all of the available evidence and its conclusion is a fair one.

My final decision

For the reasons I've outlined above I don't uphold Mr K and Mrs S's complaint about Lloyds Bank General Insurance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K and Mrs S to accept or reject my decision before 1 May 2025.

Andrew Clarke
Ombudsman