

## The complaint

Mr U complains that Liverpool Victoria Insurance company trading as LV have declined his claim and cancelled his policy due to undeclared modifications on the vehicle.

## What happened

Mr U's car was deemed a total loss following him driving it into flood water, and LV initially offered a settlement for the market value.

Mr U contacted LV and told them that he had made some improvements to the car which he believed should increase the value of his car.

However, LV then declined the claim and cancelled the policy as they said that this type of policy doesn't allow for any modifications.

Mr U was unhappy with this and brought his complaint to us. He said the changes he had made were replacement parts and so he didn't consider them to be modifications.

One of our investigators looked into Mr U's complaint, but he thought LV had acted fairly in declining the claim and cancelling the policy.

Mr U disagreed with our investigator's view, and so the case came to me to review.

I issued a provisional decision on the complaint. My provisional findings were as follows:  
*I'm currently minded to uphold Mr U's complaint and I will explain why.*

*I've read Mr U's policy to understand what is expected if he makes a modification whilst the policy is in force. In Mr U's policy it says:*

*This insurance won't apply unless:*

- you tell us about any changes (please see the list in section 1 2. 3, general conditions); and*
- we've agreed to cover you and issued new personal details and where necessary a new certificate of motor insurance.*

*Under general conditions, it details some of the changes that should be reported.*

*General conditions*

*Changes you need to tell us about:*

*You need to tell us as soon as possible if:*

- changes are made to the manufacturer's standard specification, which improve the value, appearance, performance or handling of your car;*

*If you don't tell us about the changes, we may reject the claim or reduce the payments we make.*

*LV say that Mr U's car had the following modifications:*

- *M5 rear bumper with diffuser and larger M5 rear boot spoiler*
- *M5 near side and offside door mirror*
- *Black M5 painted grille*

*LV became aware of these modifications as during the claims process. The notes show that Mr U disclosed them to LV when discussing the value of the car. Mr U says he didn't consider these parts to be modifications as he was replacing parts of the car which were standard on the specification – wing mirrors and bumpers - he says he had made the changes to make the car look nicer, not to enhance performance.*

*However, whilst I accept that the policy asks Mr U to disclose any changes to the car, including those which change its appearance, and he had made some alterations to the appearance, I've thought about whether these changes would have caused a fundamental change in risk.*

*Our service has a long-standing approach to these circumstances, which is that unless the change or modification made mid-term is fundamental to risk, an insurer shouldn't alter or cancel its cover. We don't think it's fair for an insurer to vary a contract unilaterally, after it has been agreed, unless the change is fundamental to the risk.*

*An example of where a modification made mid-policy term might be considered fundamental to the risk posed by the insured, is if the vehicle is modified so that it completely alters the specification. This could be by incorporating a new and more powerful engine.*

*Having viewed the photographs and considered the evidence I haven't seen any evidence that the modifications would have increased the value of the car, made it more likely to be stolen, or improved the performance of the vehicle and so I don't think they should reasonably qualify as fundamental.*

### **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.

Mr U has accepted the decision, but LV have made further submissions which I have considered.

LV have said that the modifications that Mr U has made are intended to visually replicate a different, more expensive model of car and as that car is more desirable, it would make it more desirable for theft. They have also said that the spoiler on the boot and the diffuser would have changed the handling and performance in the way of vehicle stability on the road, and so overall the modifications would, in their opinion, drive a higher retail price. They have pointed to the customer making the request for a higher settlement as evidence of this. On the issue of desirability for theft, I appreciate that the more expensive model of car would be more desirable, but I don't consider that it necessarily follows that an imitation would be as desirable without evidence to support that view, and LV haven't provided me with any evidence to support that.

In respect of the handling issues, a diffuser would potentially increase stability and increase grip to the road, if anything making it safer to drive. Again, I haven't been provided with any evidence that the addition to this model would increase any risk.

I'm also mindful that in this case, the car was neither stolen, nor in a road traffic accident, so the addition of the modifications didn't contribute to the peril being claimed.

And so, for the above reasons, I'm making my final decision in line with my provisional findings.

### **Putting things right**

LV should now reinstate the policy and settle Mr U's claim in line with the remaining terms and conditions of the policy, without relying on the undeclared modification reasoning it gave not to.

### **My final decision**

My final decision is that I'm upholding Mr U's complaint and directing Liverpool Victoria Insurance Company, trading as LV to put things right as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 25 March 2025.

Joanne Ward  
**Ombudsman**