

The complaint

Mr A complained that his home insurance policy was unfairly cancelled when his insurer Accredited Insurance (Europe) Ltd ("AI") became aware of a change in circumstances.

What happened

When Mr A called AI to inform it he wanted to insure a new item under his policy, AI from the conversation became aware of a change in circumstances for Mr A / his wife (since the policy started). Mr A's wife had started creating paintings in the garden summerhouse, and she sold some of these to customers away from the home for a small amount of money.

When becoming aware of the change in circumstances AI gave notice and cancelled the policy as it said it didn't provide cover for business activities other than administration work.

Mr A is unhappy as he feels the information gleaned from the phone call wasn't accurately shared with those making the decision on the policy. He also said that painting wasn't a trading activity.

As the policy has been cancelled Mr A is worried he'll have to declare the cancellation to future insurers, and it will impact the future premiums he needs to pay.

Our investigator decided not to uphold the complaint. She said the policy wording was clear that Mr A's policy didn't provide cover in his / his wife's circumstances and AI didn't have a policy available that did. So, she thought it was fair in cancelling the policy. Mr A disagreed, so the case has been referred to an ombudsman.

My provisional decision

I made a provisional decision on this on 21 February 2025. I said:

"I understand why Mr A was unhappy with the question that was posed to AI to make the decision on his policy. I agree the wording used was clumsy and could've easily been misinterpreted. However, the important part of this complaint is to consider whether AI made the correct decision to cancel the policy.

Mr A has made several points of which I've noted, however, I'm only going to focus on the pertinent points related to the cancellation of the policy.

Mr A when taking out his policy said there were no business activities undertaken at his property. When AI became aware of his wife's activity, it took the reasonable action of investigating whether the policy was suitable for Mr A's needs. This was reasonable, as not doing so, could have left Mr A uninsured when he made a future claim.

AI have explained the policy wording applicable to Mr A's cover. The policy states: "The property must not be used to carry out any business activities other than office administration work on behalf of your business or the business of your employer".

Mr A confirmed his wife created paintings, which she sold to customers away from the home. I think it is a possibility Mr A's policy isn't appropriate for his / his wife's needs. However, it's important to assess whether it was necessary to cancel the policy when AI did. I don't think it was, so I intend to uphold this complaint.

Mr A's wife is selling the paintings to make money, but realistically given the scale of the activity, it could just as easily be defined as a hobby where Mr A's wife earns a few pounds to invest back into her hobby as it could be defined as a very small business.

Insurers when offering policies are generally concerned about the risk they take on and the price (or premium) they charge. Mr A has explained that with his wife's painting activity, the paintings are sold away from the property. This means there wouldn't be any "customers" coming to the house to make purchases. Mrs A only earns a little from the activity, so any materials or "stock" at the property wouldn't be any more than if it was a hobby.

Therefore, I don't think the painting activity did add risk to the cover AI provided. Given this, I don't think the fairest action was to cancel the policy. It seems a genuine oversight that Mr A didn't inform AI of this change in circumstance. I think it could be argued there wasn't a change in circumstances.

The cancellation is recorded against Mr A's insurance record. It could potentially increase his future premiums. He has been inconvenienced by needing to find new cover. I don't think this decision was necessary. I think AI would've been fairer to let the policy continue for the remainder of the term and for AI to make the decision not to offer cover when the policy was due for renewal.

To put the situation right, I intend that AI remove the cancellation from Mr A's record. Mr A's new policy was more than his policy with AI. So, I intend that AI reimburse Mr A the difference between the premiums, plus 8% per annum simple interest (from the date the new policy was paid for to the date the difference is paid), this is because Mr A has been without this money. I intend that AI pay Mr A £100 compensation for the inconvenience it has caused".

Responses to my provisional decision

Mr A accepted my provisional decision. He confirmed his wife's painting was a hobby, where she sold the odd painting to friends / customers away from the house.

AI confirmed no cancellation had been placed against Mr A's insurance record. AI didn't accept the provisional decision. It reiterated the points it had made previously about Mr A's wife operating a business from the home and it wasn't something it provided cover for.

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 appreciate AI confirming there is no cancellation marker against Mr A's name. Mr A seems to think there is still a marker against his name. I think the key point here is no marker should be against the name, so for completeness, I'll leave the action to remove this. But it's noted that AI have said one doesn't exist.

I think I've clarified already in my provisional decision, that the activity in relation to the paintings was low, it could've easily been defined as a hobby. Mr A has confirmed as much in his response.

I haven't received any new information from either party, so I see no reason to change my provisional decision. I still think the fairest approach would've been to continue to provide cover for the remainder of the term and then not offer a renewal at the end of the term. I don't think there was a change in risk to AI in providing cover.

My final decision

My final decision is that I uphold this complaint. I require that Accredited Insurance (Europe) Ltd:

- Remove the cancellation marker under Mr A's record
- Reimburse Mr A the difference between the premiums (new premium versus premium with AI), plus 8% per annum simple interest (from the date the new policy was paid for to the date the difference is paid)
- Pay Mr A £100 compensation – for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 31 March 2025.

Pete Averill
Ombudsman