

## **The complaint**

Mr M has complained about his let property insurer Great Lakes Insurance SE because it has settled his claim, for water damage, proportionately.

## **What happened**

Mr M's tenants notified him of a leak. The leak was fixed and Mr M made a claim to GL for the damage. GL accepted the claim but noted that Mr M's tenants were benefits assisted. It reviewed what it had been told when the policy was arranged – noting the tenant status was given as “working/retired”.

GL asked Mr M about the discrepancy. He said his letting agent had arranged the tenants and he had not been aware they were benefits assisted. He said he had believed they were working/retired. GL said if Mr M had given it the correct detail, it would have charged him an increased premium. So it said it would settle the claim based on the percentage of premium Mr M had paid against that he should have paid. GL said the premium would have roughly doubled, so it was only prepared to settle with Mr M for around half of the cost of repairs, less the policy excess.

Mr M didn't think it was fair for GL to settle in this way. He said that would cause him great financial difficulty. He said as he hadn't known the tenants weren't working/retired it wasn't fair for GL to penalise him, and he didn't believe the percentage it had applied was fair. Mr M brought his complaint to the Financial Ombudsman Service.

Our Investigator felt GL had acted fairly and reasonably given the relevant legislation which applies. So he wasn't minded to make GL do anything differently.

Mr M asked for an Ombudsman's decision. The complaint was referred to me.

## **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 that it was disappointing for Mr M to be told that he would not get a full settlement for the cost of necessary repairs. However, I do think GL has acted fairly and reasonably here. I'll explain why below.

There is legislation, the Insurance Act 2015 (the Act), which applies to contracts of insurance – specifically covering the duties of the prospective or renewing policyholder (PRP) and what the insurer can do if it thinks the PRP failed in those duties. The Act says the PRP must make a fair presentation of the risk they present to the insurer. With “fair presentation” meaning the PRP must tell the insurer:

- everything they know, or ought to know, that would influence the judgment of an insurer in deciding whether to insure the risk and on what terms; or
- enough information to put an insurer on notice that it needs to make further enquiries about potentially material circumstances.

It’s worth noting here that the Act explains that the phrase “ought to know” encompasses anything the PRP could find out by undertaking a reasonable search of available information.

I appreciate that Mr M left the day-to-day handling of the tenancy arrangements to the letting agent. I understand that he did not feel the need to keep abreast of details about the tenants in place – that he trusted everything was being managed appropriately by the letting agent. I don’t doubt that Mr M, when telling GL the detail it wanted to know about the type of tenants the property was let to, believed he was correctly informing it that his tenants were “working/retired”. Unfortunately for Mr M he was wrong in that respect.

Importantly, whilst Mr M did not know he was giving incorrect information, the correct detail was within his grasp, had he only completed a simple, quick check with his letting agent. Which means that Mr M “ought to have known” that the tenants were not “working/retired”. I’ve seen detail from GL which satisfies me that, had Mr M given it correct detail, GL would have charged a different premium. So Mr M’s mistake made a material difference to the policy he was offered.

The Act explains the available remedies for an insurer in an instance like this. The Act says the insurer can settle the claim based on the percentage of the premium actually paid against that which should have been paid. That is what GL has done here. I’m satisfied it acted fairly and reasonably.

I realise that Mr M thinks the figure GL has applied to proportionally settle the claim is unfair. However, how an insurer prices cover and the weighting it applies for certain risks isn’t something this Service would usually interfere with. It’s what we’d refer to as a matter of its commercial judgement. I’ve seen detail from GL’s head of underwriting, I’m satisfied that GL has applied the same weighting to Mr M’s premium as it would anyone else presenting with the same risks. Which means I’m satisfied it’s acted fairly when it sought to proportionally settle the claim by roughly half on account of Mr M’s mistake in not providing a fair presentation when the cover was arranged.

### **My final decision**

I don’t uphold this complaint. I don’t make any award against Great Lakes Insurance SE.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr M to accept or reject my decision before 29 April 2025.

Fiona Robinson  
**Ombudsman**