

The complaint

Mr M & Mrs R complain that Zurich Insurance Company Ltd (“Zurich”) cancelled their policy and wouldn’t pay their claim when it said they’d misrepresented their history when applying for home insurance.

What happened

Mr M & Mrs R had a home insurance policy with Zurich covering their home and belongings. They arranged and bought the policy online through a comparison website and it began in August 2023.

In December 2023 a mobile phone was stolen from them. They contacted Zurich and made a claim.

Zurich investigated the claim. It found records of previous claims and losses that Mr M & Mrs R hadn’t disclosed when they’d applied for cover.

Zurich said it wouldn’t have provided them with cover if it’d known about the previous incidents. It cancelled the policy from the beginning and wouldn’t pay the claim. It refunded the premium.

Mr M & Mrs R weren’t happy about this, and they complained. Zurich maintained that Mr M & Mrs R had recklessly misrepresented their history.

As they remained unhappy, they brought their complaint to this service. They ask that Zurich pay their claim and for compensation because of the length of time it took Zurich to deal with their claim. Our investigator looked into their complaint and thought it wouldn’t be upheld. He said he thought Zurich had acted in accordance with current legislation when it cancelled the policy.

Mr M & Mrs R didn’t agree with the view and asked that their complaint was escalated to an ombudsman.

Because they didn’t agree, their complaint has been passed to me to make 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 read the file, I’m not upholding Mr M & Mrs R’s complaint.

When looking at a complaint where there is a failure to disclose relevant information, I must first consider whether there has been a qualifying misrepresentation under the relevant law which is the Consumer Insurance (Disclosure and Representations) Act 2012 (“CIDRA”).

CIDRA requires consumers to take reasonable care not to make a misrepresentation when taking out 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 has to 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 or reckless, or careless.

I've looked at the question they were asked about previous claims and losses:

"Claims

Have you or anyone living at the property made any home insurance claims or suffered any losses in the last 5 years?"

There's further clarification saying:

"More on claims and losses

You must include any incidents that resulted in items being stolen, injury to other people or damage to property. You should include incidents even if you didn't make a claim, and regardless of if you were paid for a claim. Examples that we need to know about are burglary, vandalism, fire, water or storm damage and any claim made."

Mr M & Mrs R didn't disclose anything under this answer.

From the comparison website, Mr M & Mrs R then were transferred to Zurich's website where the question asked was slightly different:

"How many claims were made and/or losses suffered in the last 5 years by you and anyone living with you?"

They gave their answer as zero.

The policy documents warn Mr M & Mrs R of the possible consequences of not answering the questions with reasonable care:

"Should any of the information contained in this statement of facts and your policy schedule change during the period of insurance you should notify [Zurich] immediately.

If any information on this document is not complete and accurate:

1. The insurer may cancel your policy and refuse to pay any claim..."

I'll comment here that there were three incidents Zurich said should have been disclosed and that were recorded on industry databases. Two are from summer 2020 for escape of water, and the other from 2022 for storm.

I can also see that this has been acknowledged by Mr M & Mrs R. They've not disputed that some incidents took place, but they have said they didn't recognise the insurer of incident one, or that they made a claim under incidents two and three.

Zurich looked into this and said it thought incident one was made to an insurer that has been bought by another company, and this as backed up by Mr M confirming he'd been paying the

company that'd been bought. I think this is reasonable.

For incident two, Mr M & Mrs R said they'd made an enquiry about escape of water, but the insurer said they were not eligible to claim from them for this.

And in incident three, they said they didn't make a claim for storm.

What Mr M & Mrs R have done is focus on Zurich's request for "claims" information. They've said that they contacted the insurer and asked coverage questions. They think it's unfair for insurers to ask about "losses" rather than claims.

I've thought about this, and considered the questions being asked by Zurich. I think the questions and explanations are clear. Mr M & Mrs R say they contacted insurers about coverage, but I think that reasonably means they'd suffered some sort of loss and were enquiring about whether those losses were covered.

The questions asked of them on the websites talk about losses, whether or not a claim has been made. If Mr M & Mrs R weren't sure about what the questions meant, then they could have contacted Zurich and asked.

What this means is that I think Mr M & Mrs R failed to take reasonable care not to make a misrepresentation.

I've gone on to consider whether the misrepresentation was a qualifying one. In other words, what would it have done differently had it received the correct information from Mr M & Mrs R when they applied for the cover.

Zurich has sent this service information that shows it wouldn't have been able to offer them cover if it'd known the correct information about the three losses in the previous five years.

What this means is that Mr M & Mrs R's misrepresentation was a qualifying one under CIDRA.

It follows that I think Zurich's action in cancelling the policy from the start was in line with CIDRA. I can see Zurich said it thought Mr M & Mrs R had acted recklessly. What this means is that, under CIDRA, it's able to retain the premium. But Zurich has refunded the premium, and I think this is fair.

Mr M & Mrs R have also complained about the service they'd had from Zurich. They said it'd taken too long for Zurich to deal with their claim. I've looked at a timeline of events and considered this. It's clear Zurich needed to investigate the claim they'd made, and it took about five weeks initially to reject their claim and ask for Mr M & Mrs R's comments on the three incidents. Although it's possible Zurich may have been able to carry out the investigation faster, the nature of it meant I think Zurich needed to explore the information supplied to it. I don't think the time taken caused them additional distress.

It follows that I'm not upholding their complaint.

In later correspondence, Mr M & Mrs R have talked about taking further legal action against Zurich. This is their right.

My final decision

It's my final decision that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs R to accept or reject my decision before 23 April 2025.

Richard Sowden
Ombudsman