

The complaint

Mr R and Mrs R complain that HDI Global Specialty SE (HDI) voided their home insurance policy and refused to pay their claim.

Mrs R has acted as the main representative during the claim and complaint process. So, for ease of reference, I will refer to any actions taken, or comments made, as those of 'Mrs R' throughout this decision.

What happened

The following background includes events prior to Mrs R taking out insurance with HDI, to provide clarity of the events that led to this complaint.

Mrs R took out a home insurance policy via a price comparison website in 2019. The policy was underwritten by a company who I'll call 'C' in this decision. When Mrs R took out the policy, she was asked a series of questions – one of which was to confirm how many bathrooms her property had, Mrs R answered 'three'.

When the policy came up for a second renewal in 2021, Mrs R found the price to be uncompetitive – so her broker, who I'll call 'S', placed the policy with a new underwriter - HDI. As part of the set-up of the new policy with HDI, S used the details Mrs R had given to C and these were transferred over to HDI. It appears the policy with HDI then renewed twice – and the policy that is relevant to this complaint was inception to run between 19 September 2023 and 18 September 2024.

Mrs R had noticed some movement at the rear of her property where her balcony had come away from the wall. A structural engineer was appointed to inspect this in April 2024 who advised Mrs R to speak to her home insurer. So, she contacted S to raise a claim in May 2024. While the claim was initially accepted, HDI later voided the policy and declined cover. They said that Mrs R's property actually had four bathrooms, not three as they had thought, because HDI said the cloakroom toilet would be considered a bathroom under their underwriting criteria.

HDI said if they had known Mrs R's property actually had four bathrooms, they never would have provided her with a policy. They voided cover from September 2021, when Mrs R was first provided a policy with HDI, and refunded her premiums paid for those three policies.

Mrs R wasn't happy and complained; she said since she moved into her property, she had declared three bathrooms and did not realise that the cloakroom toilet would be considered a bathroom. Mrs R also said she'd had no contact from HDI at inception or at renewal, as her only contact was from her broker, S, who emailed to confirm that the new documents had been uploaded to the portal along with the policy schedules.

HDI responded to Mrs R's complaint in June 2024 but didn't uphold it. They said their decision to void the policies from when they were first taken out was in line with their underwriting criteria, and Mrs R would have been aware that any room that contained a toilet would be considered a bathroom from the additional information contained on the

comparison website she used in 2019 to first take out cover with C. They maintained that as they don't provide cover for more than three bathrooms, if this had been disclosed at the policy's inception, they wouldn't have offered a quote at all. Mrs R remained unhappy with HDI's response – so she brought the complaint to this Service.

I issued a provisional decision on this complaint, and I said the following:

“The law relevant to this complaint is The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). This requires a consumer to take reasonable care not to make a misrepresentation when taking out or renewing a consumer insurance contract. The standard of care is that of a reasonable consumer.

If a consumer fails to take reasonable care, and does make a misrepresentation, 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 they 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 a 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.

When considering whether a consumer has taken reasonable care, I would ordinarily need to first decide whether any questions asked during the sales process were clear. However here, the relevant policy was the renewal from September 2023. I should also point out that Mrs R says she wasn't asked any specific questions when the policy was transferred to HDI, as details she had previously given to S were transferred across.

HDI says that when the policy renewed in September 2023, they sent Mrs R a ‘Statement of Fact’ document - which asked her to confirm the details HDI had were correct. The Statement of Fact listed “Number of Bathrooms” as “3”. HDI says that Mrs R didn't correct this information when the policy renewed, and this would be the misrepresentation they are entitled to rely on under CIDRA.

So, the question for me to consider is whether I think Mrs R took reasonable care not to make a misrepresentation when she renewed the policy in September 2023. I understand that HDI has said Mrs R originally took out a policy via a price comparison website from 2019 and this website contained an explanation that said a bathroom included any room with a toilet. HDI says Mrs R should have properly answered this question, and if she had done, and disclosed her property had four bathrooms, HDI wouldn't have provided a quote later in 2021.

However, as each new policy is a separate contract of insurance, I need to consider what questions were asked under the 2023 renewal. Additionally, I should also point out the test as to whether Mrs R took reasonable care is one of a reasonable consumer, not one unique to Mrs R. And this means I have to consider what I think a reasonable person would have answered when answering the question asked.

Was a clear question asked?

Having looked at the Statement of Fact, I can see it is headed with “Important Information” – which says:

“Please read this document carefully as it is a record of the information provided by you that your policy is based on. If you are satisfied that, to the best of your knowledge & belief, the information contained below is correct, you do not need to do anything however if any of the facts are incomplete or incorrect, you should contact us...”

There is nothing to highlight what HDI considers a bathroom to be within this document. And I think an ordinary understanding of what a ‘bathroom’ is would be a room that contains a bath. Mrs R says her property has three such bathrooms, which I find to be a reasonable approach.

I’ve considered what HDI has said in relation to the additional information on the comparison site, that stated any room that includes a toilet should be included in the counting of ‘bathrooms’. But I’m not persuaded it would be reasonable to expect a consumer to recall questions asked from several years prior to taking out cover with a new insurer. So, I don’t consider it to be fair for HDI to rely on this information to expect a consumer to reasonably know the information being confirmed was in any way incorrect.

So, without any confirmation from HDI directly that explained they considered any room that contains a toilet would be considered a ‘bathroom’, I don’t find that a reasonable consumer would automatically understand this without further explanatory material. HDI didn’t directly provide this definition to Mrs R either at the first policy inspection in 2021 or at any subsequent renewal. As such, I’m not satisfied this statement from HDI, which asks a consumer to check the information is correct, is clear enough to prompt a reasonable consumer to realise that the information given is something HDI alone considers to be wrong.

I’m also satisfied that when Mrs R was asked to confirm the information was correct, ‘to the best of her knowledge & belief’, based on her testimony, she would have considered that the information was correct.

It follows that I’m not persuaded the evidence demonstrates HDI can show Mrs R failed to take reasonable care not to make a misrepresentation when she renewed the policy in 2023. And this means HDI isn’t able to rely on the remedies under CIDRA – so HDI acted unfairly by voiding Mrs R’s policy and declining her claim.

What was the impact

Having a claim declined and policy voided would be a stressful situation. And I can only imagine how difficult the situation has been on Mrs R – especially given the other life events occurring at the time. While I haven’t detailed everything here, due to their sensitive nature, I’ve considered Mrs R’s testimony as to how she says she was affected.

Mrs R has said she needed to pay for additional tests and surveys to confirm the extent of the damage due to movement. These are costs that may have otherwise been covered under the claim, had HDI not voided the policy. As such, I think HDI should review these costs as part of their reconsideration of the claim, and, if they would have been incurred as part of the claim under the policy, reimburse them. HDI should add 8% simple interest to any sums refunded, from the date they were originally paid, until HDI refunds them.

Ordinarily, where Mrs R made a subsidence claim, she would have then likely remained with her insurer for continuity of cover. And the Association of British

Insurers (ABI) has issued guidance on the continuation of insurance cover which is intended to ensure consumers with previous or current subsidence claims can continue accessing subsidence cover on reasonable terms.

However, when HDI voided her policy, Mrs R had to take out alternative insurance cover for her property, because her mortgage provider requires her to have property insurance. Given the claim made for ground movement, most insurers won't want to offer a new policy to protect the property. Mrs R has confirmed she had to take out cover with an insurer who charged a higher premium to reflect that there had been a previous claim as well as excluding any future cover for subsidence.

I'm satisfied Mrs R wouldn't have had to take out an alternative policy when she did, if HDI hadn't voided her policy. But I also recognise that HDI's underwriting criteria outlines that they won't insure Mrs R's property; so, it's likely they wouldn't have renewed the policy. As such, I think the fairest and most reasonable way to resolve this issue is for HDI to pay Mrs R the cost of the increased premiums for the policy she took out with an alternative underwriter.

I've been provided with a copy of the relevant insurance documents, and I can see HDI originally charged Mrs R £290.76 for her policy between 19 September 2023 and 18 September 2024. But her alternative policy's premium was £1,305.02 between 26 June 2024 and 25 June 2025. I recognise it's difficult to know exactly what Mrs R would have paid in premiums if she needed to take out cover with a new insurer at the end of her policy with HDI. And I also think having to declare a cancellation would have had some impact on this price.

In order to reach a fair and reasonable outcome, I think HDI should pay Mrs R the difference between the policies for June to September 2024, as well as a sum of compensation to account for any unforeseen or unknown costs variables.

In terms of compensation, it's important to note that this isn't intended to punish or fine a business. It's to recognise the impact their actions had on their customer. I can imagine all of these issues would cause trouble and upset to Mrs R. So, because I find that HDI declining cover for Mrs R's claim was unfair, I think they should pay compensation. Having considered Mrs R's testimony, I'm satisfied a sum of £750 is fair and reasonable in the circumstances and reflects the impact HDI's actions had on her.

Putting things right

HDI voided Mrs R's policy and declined her claim. While I appreciate they may not have continued cover at renewal in September 2024, because the claim was raised prior to the end of the policy, HDI should reconsider the claim and settle it in line with the remaining terms and conditions of the policy, as if the policy were still in force. If the claim is accepted, they should take steps to settle the claim in a reasonable amount of time.

And as I don't think it was fair for HDI to void Mrs R's policy, they should remove all record of the policy's voidance from external insurance databases. HDI should also provide a letter to Mrs R to confirm they voided her policy in error to allow Mrs R to ask her current insurer to recalculate her premium on the basis that she hadn't had any policies cancelled or voided. And this also means Mrs R won't be required to declare any avoided or cancelled policies at her next renewal.

HDI should reimburse the difference in cost between her HDI policy, and the alternative policy she took out, between June to September 2024. This is subject to

Mrs R providing HDI evidence of paying it. But HDI can deduct the premium refunds they already gave from any settlement they pay.

Mrs R has said she's incurred additional costs for surveys and inspections on the property while HDI did not cover the claim. HDI should reimburse those reasonable costs, subject to Mrs R providing evidence of paying them."

I concluded that I was likely going to uphold the complaint as I thought HDI had acted unfairly in declining cover based on the available evidence. I invited both parties to provide a response to my provisional decision.

Mrs R replied and said she accepted my provisional findings.

HDI also responded and said they had nothing further to add, other than to reiterate that the policy that inceptioned in 2021 was based on the information that had been provided online previously. They also confirmed no further questions had been asked at inception as the policy was provided on the basis of the information given by the broker.

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 maintain that what I decided in my provisional decision is a fair and reasonable conclusion to this particular complaint.

I appreciate HDI has said they offered the policy on the basis of the information given previously; but I maintain that the evidence demonstrates HDI can't show Mrs R failed to take reasonable care not to make a misrepresentation when she renewed the policy in 2023.

I find that without any confirmation from HDI that explained they considered any room that contains a toilet would be considered a 'bathroom', a reasonable consumer wouldn't automatically understand this without further explanatory material. And this means HDI isn't able to rely on the remedies under CIDRA – so HDI acted unfairly by voiding Mrs R's policy and declining her claim.

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HDI should reimburse the difference in cost between her HDI policy, and the alternative policy she took out, between June to September 2024. This is subject to Mrs R providing HDI evidence of paying it. But HDI can deduct the premium refunds they already gave from any settlement they pay.

Mrs R has said she's incurred additional costs for surveys and inspections on the property while HDI did not cover the claim. HDI should reimburse those reasonable costs, subject to Mrs R providing evidence of paying them.

My final decision

For the reasons I've given above, my final decision is that I uphold this complaint. I direct HDI Global Specialty SE to:

- Reconsider Mrs R's claim in line with the remaining terms of the policy, and if accepted, settle it within a reasonable amount of time;
- Consider Mrs R's reasonable claim costs incurred. If these claim costs would have been incurred during the claim by HDI Global Specialty SE, they should reimburse them, subject to Mrs R providing evidence of them. They should also add 8% simple interest to any sums paid from the date they were incurred until settled;
- Pay Mrs R the difference between the policy premiums for her HDI policy and the policy she took out with the alternative provider, between June to September 2024;
- Remove the policies voidance from external insurance databases and provide a letter to Mrs R to confirm her policies were voided in error; and
- Pay £750 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R and Mrs R to accept or reject my decision before 10 April 2025.

Stephen Howard
Ombudsman