

The complaint

Mr H complains Zurich Insurance plc (“Zurich”) treated him unfairly when he made a claim on his motor insurance policy. He says it incorrectly settled his claim on a proportionate basis and the claim should be paid in full.

All references to Zurich include its agents.

What happened

In June 2024 Mr H took out a temporary motor insurance policy covering his car for 24 hours. At the time he took out the policy, he says he’d been staying at a family member’s address for several weeks as there was a problem with his own property. So when he was asked for his address during the insurance application, he put the address he was staying at rather than his permanent address.

On the day Mr H took out the policy, he was involved in a motor accident so he made a claim on his policy. When validating the claim, Zurich says it identified the address Mr H had given during the application wasn’t his permanent address and it thought he’d made a careless qualifying misrepresentation. It said if he’d provided the correct address, the amount he paid for his policy would’ve been around 33 percent higher. So it settled his claim on a proportionate basis.

Mr H didn’t think it was fair for Zurich to settle his claim in this way so he raised a complaint. He said he provided the address he was staying at as he thought that was what he was being asked for. And he said he’d changed his address on other documents to the temporary address he was staying at. Zurich didn’t change its claim decision. It said Mr H agreed to a declaration as part of the application process which it thought made it clear he needed to provide his permanent address. So Mr H asked our service to look into things.

Our Investigator upheld Mr H’s complaint. She didn’t think the question asked in the insurance application about Mr H’s address was clear and specific and she thought it was reasonable he might think it was asking where he was staying at the time. She didn’t think the declaration Zurich had pointed out clearly highlighted Mr H needed to provide his permanent address. She was also persuaded Mr H had changed his address on other documents and so had taken reasonable care to provide what he considered his permanent address. So she thought Zurich should settle Mr H’s claim in full.

Zurich didn’t accept our Investigator’s opinion. It thought Mr H had only changed his address on the other documents after the event. So the complaint’s been passed to me to decide.

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.

Based on what I’ve seen, I’ve decided to uphold this complaint for broadly the same reasons as our Investigator.

The relevant law in this case is The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). This 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've 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. One of these is how clear and specific the insurer's questions were. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate, reckless, or careless.

If the qualifying misrepresentation was careless, the insurer can proportionately settle the claim if it would have charged a higher premium if the consumer hadn't made the misrepresentation. That's what Zurich has done in this case as it says Mr H made a careless misrepresentation. But I don't agree with what Zurich has said, or that it's acted fairly when settling Mr H's claim as I don't think the questions it asked at the time of the application were clear and specific. I'll explain why.

I've looked carefully at the application Mr H completed at the time of the sale. Mr H was asked to provide his postcode. Above the box it said '*Postcode*' and within the box it said, '*The driver's postcode is...*'. This section of the application doesn't explain what postcode the insurer wants the customer to provide and it doesn't specify it's asking for Mr H's *permanent* address. Mr H says he gave the address of the place he'd been staying at for several weeks and it was where he was staying at the time of taking out the policy. He's said he thought it was the address Zurich was asking for as it's where the car was going to be kept. And I think that's reasonable in this case.

Zurich has pointed out in order for Mr H to continue with the application, the following step asked him to confirm he'd read, could meet and had understood the full declaration. And within the declaration it said, '*I am permanently resident at the registered permanent residential address provided.*' So it thinks it made it clear Mr H needed to provide his permanent address. But at this point it doesn't seem Mr H would've seen the declaration as it only comes up after he'd agreed and continued. And once he could see the declaration, he would've needed to read through around 20 different statements all relating to different things about his circumstances and his vehicle, before reaching the one about his address. So I don't agree it would've been sufficiently clear to Mr H that the address he'd given previously in the application needed to be his permanent address.

Having considered the information Mr H was asked about his address when he took out the policy, I don't think he failed to take reasonable care not to make a misrepresentation. And for this reason I'm not satisfied it was fair and reasonable for Zurich to rely on CIDRA to reduce Mr H's settlement.

To put things right in this case, I think Zurich should now settle Mr H's claim in line with the remaining policy terms without the proportionate reduction and pay Mr H the difference between this and the interim payment it's already made. And, as Mr H has been without his money for some time, it should add interest to this amount.

Putting things right

To put things right in this case, I require Zurich to:

- Settle Mr H's claim in line with the remaining policy terms without the proportionate

reduction it applied to the market value of his car and pay him the difference between this and its interim payment.

- Add interest to this amount at the rate of 8% simple per annum from the date of the interim payment to the date of final settlement*. If Zurich considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr H how much it's taken off. It should also give Mr H a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons given, my final decision is that I uphold this complaint. I require Zurich Insurance Plc to put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 15 May 2025.

Nadya Neve
Ombudsman