

The complaint

Mr E is a sole trader. He has complained about the insurer for his business's premises, Allianz Insurance Plc, because it has avoided the policy (treated it as though it has never existed) and, by association, declined the claim Mr E made following a fire.

What happened

Mr E bought a guesthouse business in 2017. In around 2023, following some contact and business with the local council, Mr E applied to let the property as a house of multiple occupancy (HMO). Authorisation in that respect was granted and Mr E began letting the property on that basis – largely by arrangement with the local council.

In 2024, Mr E arranged insurance for the property. He said the business was a "guesthouse".

There was a fire in September 2024 – it started in the roofspace above a section of the property. Mr E reports that the fire itself was relatively minor, but damage was caused to the roof and by the fire brigade in extinguishing it, making the property uninhabitable. A claim was made to Allianz and it began considering it.

In January 2025 Allianz wrote to Mr E. Allianz said Mr E had modified the business in 2023. It felt it wasn't a guesthouse when cover had been arranged with it in 2024. It said if it had been told the business was an HMO, it wouldn't have offered cover. So it said it was avoiding the policy and wouldn't be dealing with the claim, but it would refund the premium.

Mr E was unhappy. He didn't think the loss adjuster had presented things fairly to Allianz and he was concerned about the service received. Allianz offered £200 compensation to Mr E as it recognised there had been poor communication and delays. It didn't offer any further comment on its position on the avoidance and decline.

When Mr E complained to the Financial Ombudsman Service, our Investigator considered the complaint. She noted the change in business and felt Mr E had failed to make a fair presentation in this respect to Allianz when arranging the policy. So she wasn't minded to uphold the complaint in that respect. She felt there had been delays, with Mr E having had to chase Allianz for updates. She noted the £200 compensation offered and felt that was fair and reasonable.

Mr E said it felt like he had not been listened to. Our Investigator invited him to provide further detail to explain his views. Nothing further was received.

As Mr E did not agree with the outcome put forward by our Investigator, the complaint was referred for an Ombudsman's 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.

I appreciate that this has been a difficult time for Mr E. I'm aware that as well as letting out part of the property, he lived in it too. So I recognise that, in addition to having his income affected, which has led to financial difficulties, he has lost his home. I understand this is a devastating situation and one which he reasonably expected to have had cover for.

Unfortunately for Mr E, having considered the complaint in detail, I'm not persuaded Allianz has done anything wrong in avoiding the policy. I think, given the relevant legislation, it's acted fairly and reasonably.

The relevant legislation is the Insurance Act 2015. This requires the prospective policyholder to make a fair presentation to the insurer about the risk they present. If they don't do that, and the insurer can show it would have done something differently, that will be a qualifying breach, entitling the insurer to act as it would have done, had the breach not occurred.

Of relevance here, the Insurance Act explains that, to make a fair presentation the prospective policyholder must tell the insurer everything they know, or ought to know which would influence the judgement of the insurer when it's making its decision on cover. With the Act explaining that "ought to know" encompasses anything that could be found by undertaking a reasonable search.

Mr E, in 2017, bought a guesthouse. He operated it as such for a number of years. Circumstances arose that meant he had an opportunity for a more guaranteed income stream – letting the property, via the local council, on the basis of an HMO. Mr E had to make an application to let the property in this way – so I'm satisfied he knew that an HMO was a different proposition to letting it as a guesthouse. I think he should reasonably have thought an insurer would view that differently too. Now it may well be that, as time went on, Mr E did not always let his rooms via the council and/or that he would sometimes let vacant rooms to other visitors, perhaps short-term holiday guests. But it's the HMO element, which Mr E does not dispute, which I'm satisfied Allianz would have wanted to know about – because this represented a fundamental change in risk for it.

I'm satisfied that Mr E, when he did not tell Allianz that the property was let – in whole or in part – on the basis of an HMO, breached the duty to make a fair presentation to it. I've seen from Allianz that, if it had been told about the HMO, it wouldn't have offered cover. As such Mr E's breach was a qualifying one and given Allianz has shown it wouldn't have provided cover, its avoidance, in the circumstances, was fair and reasonable. Allianz' decline of the claim then came as a natural and reasonable consequence of the avoidance. I'm satisfied Allianz did nothing wrong in this respect.

However, Allianz knew this was a significant loss for Mr E. It should have dealt with the claim more pro-actively to get the answer to Mr E sooner. It should also have communicated with him better. I'm satisfied though that the compensation Allianz offered of £200 was fair and reasonable. I'll require Allianz to pay that sum now.

My final decision

In respect of the avoidance and decline, I don't uphold this complaint against Allianz Insurance Plc. However, I require Allianz Insurance Plc, as offered, to pay Mr E £200 compensation for the upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 13 May 2025.

Fiona Robinson
Ombudsman