

The complaint

Mr B complains about Extracover Insurance Company Limited trading as Zego (“Zego”) and their decision to decline the claim he made on his commercial vehicle insurance policy.

What happened

The claim and complaint circumstances are well known to both parties. So, I don’t intend to list them chronologically in detail. But to summarise, in February 2024 Mr B purchased an insurance policy for his van, which was underwritten by Zego. Shortly after purchasing this policy, Mr B paid for waterproof flooring and a water tank to be fitted in the van, to aide his profession.

In June 2024, Mr B’s van was damaged by an arson attack. So, he contacted Zego to make a claim. But Zego declined Mr B’s claim, explaining their position that Mr B’s van had been modified without it being declared to them. And they cancelled Mr B’s policy, with a refund of premiums paid to him. Mr B was unhappy about this, so he raised a complaint.

Zego responded to the complaint and didn’t uphold it. They explained why they felt Mr B had misrepresented the information provided to them, explaining they wouldn’t have offered cover had Mr B made them aware of the water tank and waterproof flooring. So, they set out why they thought they had acted fairly, and they didn’t offer to do anything more. Mr B remained unhappy with this response, so he referred his complaint to us.

Our investigator looked into the complaint and initially upheld it, focusing on the risk imposed to Zego by the waterproof flooring. But Zego provided information to show they wouldn’t have offered cover had they been made aware of the water tank. And having considered this, our investigator changed their position and explained why they thought Zego were fair to decline the claim, considering the change in risk the water tank posed. So, they didn’t recommend Zego do anything more.

Zego accepted this outcome. But Mr B didn’t. In summary, Mr B felt it was unfair for Zego to rely on the installation of the water tank as a fair reason for them to decline the claim. And he stated he had made Zego aware of this installation, although he accepted he couldn’t evidence this. Mr B continued to disagree and so, the complaint has been passed to me for a 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 done so, I’m not upholding the complaint for broadly the same reasons as the investigator. I’ve focused my comments on what I think is relevant. If I haven’t commented on any specific point, it’s because I don’t believe it’s affected what I think is the right outcome.

First, I want to recognise the impact this complaint has had on Mr B. I don't doubt it would have been an extremely difficult time for him after he discovered his van had been damaged due to an arson attack, through no fault of his own. And I recognise Mr B took out the policy with Zego to assist him both practically and financially in situations such as the one he found himself in. So, when Zego declined his claim and proceeded to cancel his policy, I can understand the impact this would have had and why he would choose to complain, especially when the financial implications are considered.

But for me to say Zego should do something differently, for example overturn their claim decision and accept it, I must first be satisfied Zego have done something wrong. So, I'd need to be satisfied Zego failed to act within the policy terms and conditions when taking the decision they did. Or, if I think Zego did act within these, I'd need to be satisfied Zego acted unfairly in some other way. In this situation, I'm unable to say this is the case and I'll explain why.

The implications of Mr B's policy being a commercial one has already been made clear by our investigator in their view, which has been provided to both parties. So, I don't intend to labour this point again. But to be clear, as Mr B held a commercial policy, the relevant law and regulations relate to the Insurance Act 2015.

But in line with our services approach, we take a fair and reasonable view to the individual circumstances of their complaint. And I note Mr B's policy was for his van, which he used for commercial purposes, operating as a sole trader. So, I wouldn't expect Mr B to have the same commercial awareness of a larger enterprise on what his differing policy meant. In situations such as this, our service deems it reasonable to consider a complaint on a similar basis to that of a regular consumer, which focuses on the Consumer Insurance (Disclosure and Representations) Act 2012 ("CIDRA"). So, this is what I have done.

CIDRA is applicable to the information provided by a customer at the inception of an insurance policy. And I note Zego have stated the actions they have taken fall in line with CIDRA, as they felt Mr Zego made a misrepresentation at this point.

Specifically, Zego have stated Mr B failed to disclose modifications to his van – namely the waterproof flooring and water tank. And I'm satisfied Zego's policy terms and conditions make it clear what they deem to be a modification. So, I do think it should have been reasonably clear to Mr B that the water tank in particular was a modification.

But crucially, Mr B has provided evidence that shows these modifications were made to the van after the policy inception, and not before. So, I can't agree that Mr B failed to take reasonable care to disclose any modifications at policy inception, considering there were no modifications to disclose at that time. So, I'm unable to say a misrepresentation took place at this point.

But crucially, when Mr B had made the modifications, I've then considered whether he should ought to have known these modifications needed to be disclosed. And I've considered this alongside our services approach to mid-term adjustments, which is that an insurer such as Zego shouldn't alter or cancel a policy unless the mid-term modification creates a fundamental change in risk to them.

I've seen the policy terms and conditions, which contain a condition that explain a change in risk needed to be disclosed, before explaining that failure to do so would result in any claims not being paid. But it's not enough for a policy to contain this condition on its own. I must also be satisfied Zego's policy documentation makes this condition appropriately clear to a

customer such as Mr B.

Having read through all the policy documentation at length, I note that as well as containing the change in risk condition, the policy also sets out clearly on page 4 of the terms and conditions, in a highlighted green box under the heading *“Important”*, the following:

“Please also keep in mind that this policy is based on the information you gave to us and Zego when you were buying the insurance. If anything has changed since that time, if you are aware of anything significant which you think may impact upon the insurance cover provided, then you must tell us or Zego straight away, because if you don’t, it may mean the policy won’t pay out”.

When this is considered against the change of risk condition and the modification definition within the policy, considering a water tank system had been installed into the van that wasn’t in place when the van was bought and policy inception, I’m satisfied Mr B ought to have been reasonably aware this was a change that needed to be disclosed.

And I note in Mr B’s response to our investigators view this appears to be accepted by him, as he stated he did contact Zego to make them aware of the water tank installation, despite not being able to evidence this.

So, I’m satisfied Mr B did have a reasonable awareness of the need to disclose the changes to his van to Zego. And I’ve no evidence to show that he did. So, I’ve then turned to whether I’m satisfied the installation created a fundamental change in risk to Zego.

Zego have provided comments from their underwriter which, although provided in hindsight, satisfies me that they wouldn’t have continued to provide cover had they known about the installation of the water tank. And considering the tank contained water, which when mixed with electricity increases the risk of a fire, I’m satisfied Zego were fair to deem the installation as a fundamental change to the risk insured by the policy. I must be clear this decision isn’t impacted by Mr B’s assertion that the tank was later removed. This is because the change in risk occurred, and there is no requirement for a modification to be permanent for a change of risk to take place. So, because of this, I’m satisfied Zego acted fairly when declining the claim and cancelling the policy, as this was something the policy terms and conditions allowed them to do.

And when cancelling the policy alongside refunding Mr B his outstanding premium for the remainder of the policy, I’m satisfied they provided fair and reasonable notice, as our service and standard industry approach would expect.

So, because of all the above, I’m unable to say Zego have made an error, or acted unfairly, when declining the claim. And so, it follows that I won’t be directing them to take any further action.

I understand this won’t be the outcome Mr B was hoping for. And I want to make it clear this decision isn’t intended to take away from, or dispute, Mr B’s lived experience and the clear financial implications this will create.

But as I outlined earlier within my decision, I can only direct Zego to do something differently if I’ve been satisfied they made an error or acted unfairly. And I’ve not been persuaded that’s the case here.

My final decision

For the reasons outlined above, I don't uphold Mr B's complaint about Extracover Insurance Company Limited trading as Zego.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 16 June 2025.

Josh Haskey
Ombudsman