DRN-5583298

Financial Ombudsman Service

The complaint

Mr K and Miss S have complained about Lloyds Bank General Insurance Limited (Lloyds)' decision to reject a claim they made under their home insurance policy and avoid their policy (treat it as if it never existed).

What happened

In January 2024 Mr K and Miss S bought a joint home insurance policy with the insurer, Lloyds.

In September 2024 Mr K made a claim for an escape of water. Lloyds discovered that Mr K and Miss S had misrepresented the number of bedrooms and bathrooms their property had. Lloyds said if it had known the correct number, it wouldn't have offered a policy.

So Lloyds avoided the policy from January 2024 and provided a refund of premiums. As the policy effectively never existed, this meant Lloyds would not deal with their claim.

Mr K complained to Lloyds, but it didn't uphold their complaint. So Mr K brought their complaint to us.

One of our Investigators didn't recommend the complaint should be upheld. She found Lloyds had acted reasonably in line with the policy and the relevant law for misrepresentation.

Mr K disagrees and wants an ombudsman 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.

The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA) requires consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance contract (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.

In summary, where a qualifying misrepresentation occurs, and an insurer shows it wouldn't have offered a policy, it can avoid the policy. Misrepresentation can be categorised as either careless, or deliberate or reckless. The considerations are less favourable for a customer if it is found that the misrepresentation was deliberate or reckless.

Although Lloyds didn't refer to CIDRA when reaching its decision, it is right that this service refers to it in understanding if Lloyds has acted reasonably.

When Mr K and Miss S applied for the policy, they said the number of bedrooms their home had was six, and the number of bathrooms was three. Based on this information, Lloyds offered a policy.

The key questions Mr K and Miss S were asked when they applied for the policy was:

> *"number of bedrooms – include any rooms intended to be bedrooms, even if they are being used for something else, like a home office."*

Mr K and Mr S answered "6" to this question.

The next question read:

> *"Number of rooms with a bath, shower or toilet – include all en-suites, shower rooms and separate toilets."*

Mr K and Miss S answered "3" to this question.

When a Surveyor attended to validate the claim, they found the property had seven bedrooms and four bathrooms. The Surveyor's note reads;

> *"The customer told me on site that he seemed to recall that when he was completing the online forms to take the policy out he put in 7 bedrooms and tried to put in 4 bathrooms, however it kept pinging back to 3 and so he left it at that."*

I haven't seen anything to contradict the Surveyor's findings. Lloyds' have provided a copy of a brochure for the property which confirms it holds seven bedrooms and four bathrooms.

So based on the information available, I find Mr K and Miss S failed to take reasonable care when answering the above questions.

An insurer's underwriting criteria is commercially sensitive, so cannot be shared. But we can ask an insurer to share it with us, so that we can see if it treated a customer fairly and as it would any other customer in the same circumstances.

Lloyds has provided underwriting evidence to show that had the correct number of bedrooms and bathrooms been disclosed, it wouldn't have offered a policy to Mr K and Miss S. It also provided a screenshot to show that had Mr K and Miss S added the correct number of bedrooms and bathrooms, they would have received a message to say it couldn't provide a quote.

Mr K has provided a recent screenshot of the online question about how many bedrooms they had. The accompanying note to the question reads:

> *"We cannot provide quotes for properties that have a total of 10 bedrooms and other rooms".*

Mr K says when applying for the policy online, he never (said he) had 10 bedrooms. He says he took screenshots to show Lloyds that there was an issue with the website (if there was) over 10 bedrooms.

I find that the question asked and the note attached to the question doesn't change the outcome, nor can I see that it shows there was an issue with the website. It seems that it prevented a customer from proceeding any further if they had over 10 bedrooms at the point of this question – which is in line with Lloyd's underwriting evidence which shows it wouldn't accept a policy where the total number of bedrooms and bathrooms exceeded 10.

As Mr K and Miss S said they had less than 10 bedrooms, their application correctly proceeded to the question about how many bathrooms. As the total number of rooms under both questions didn't exceed 10, based on the answers given, Lloyds offered a policy. But the information given wasn't correct.

I find the questions asked about how many bedrooms and bathrooms were clear, which Mr K and Miss S didn't take reasonable care to answer correctly. If they had answered these questions correctly, Lloyds would not have offered a policy.

This means that in line with CIDRA, the misrepresentation Mr K and Miss S made was a qualifying one.

As Lloyds has provided a refund of premium, it has effectively treated the misrepresentation as careless, which provided a more favourable outcome for Mr K and Miss S. Under CIDRA, where an insurer decides the misrepresentation was deliberate or reckless, it can avoid a policy, not meet the claim and keep the premium paid.

I understand Mr K and Miss S don't agree with Lloyds' decision. But I'm satisfied Lloyds was entitled to avoid the policy in accordance with CIDRA. As CIDRA reflects our long established approach to misrepresentation cases, I think Lloyds' decision to avoid the policy and not meet the claim produces the fair and reasonable outcome in this complaint.

Although not part of the complaint, Mr K told us he was not added to the policy at inspection and believes he has been added by Lloyds at the time the claim was made, without his consent.

Lloyds has provided a copy of the cover letter, policy schedule and documents sent to Mr K and Miss S on 31 January 2024. The policy schedule shows both Miss S and Mr K as policyholders. So they were both policyholders at the time the policy was taken out.

My final decision

For the reasons I've given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K and Miss S to accept or reject my decision before 28 August 2025.

Geraldine Newbold
Ombudsman