

The complaint

Mrs R complains that Liverpool Victoria Insurance Company Limited (LV) avoided her home insurance policy and declined her claim for damage to her property and stolen valuables when her home was burgled.

Reference to Mrs R and LV includes their respective agents or representatives.

What happened

Mrs R raised a claim with LV – her home insurance provider – after she suffered a burglary.

LV carried out checks when validating Mrs R's claim, including looking into the value of contents and valuables within her home in comparison to the figures she provided for this when taking out, and renewing, her policy.

Mrs R's policy had a contents insurance limit of up to £80k with a valuables limit of up to £30k. LV's appointed jewellery expert concluded the jewellery and valuables alone were worth closer to £220k meaning she was significantly underinsured. LV later accepted Mrs R's assertion that some of the jewellery in her property belonged to her mother-in-law and so hadn't been accounted for in the cover limits she selected. But even after recalculating the cost of Mrs R's items in isolation, LV said the value was over £107k. Because of this, LV decided to avoid Mrs R's policy for reckless misrepresentation, and refused her claim.

An investigator here at the Financial Ombudsman Service considered Mrs R's complaint and thought it should be upheld. She said the questions Mrs R was asked at the point of sale, or the subsequent renewal, weren't sufficiently clear for her to understand what information she needed to provide. Neither was she given any guidance as to how she could obtain reasonably accurate estimates nor was the importance of doing so made clear. Because of this, the investigator thought Mrs R hadn't failed to take reasonable care when answering the questions put to her and so she said it was unfair for LV to avoid the policy.

The investigator said LV should reverse the avoidance, reinstate the policy and consider the claim. She said Mrs R believed she needed to select the amounts she wanted to be covered up to, which she did, and so LV could fairly apply those limits when considering the claim. She also said LV should pay Mrs R £400 for the avoidable distress and inconvenience its handling of the claim so far had caused her.

LV didn't accept the investigator's assessment. So, as no agreement has been reached, the complaint has 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.

Having done so, I agree with the investigator's conclusions. I'll explain why.

When avoiding Mrs R's policy, LV referred to her having recklessly misrepresented the value of her contents and valuables. Had it known the true value of her contents and valuables, LV says it would not have offered her cover, or a renewal. So, it has avoided her policy back to its original inception and refused to cover her claim.

The relevant law when considering complaints about misrepresentation is The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). And it was this law that LV appears to have relied upon when deciding to avoid Mrs R's policy.

However, CIDRA only applies to statements of fact, not matters of opinion. And in my view, the estimated value of contents or valuable items within a household is a matter of opinion rather than a statement of fact. I say this because valuations are a matter of the professional opinion of the valuer. And multiple valuers could reach different valuations for the same item and that wouldn't necessarily mean any were incorrect, just that the valuers' opinions were different. Therefore, CIDRA doesn't strictly apply to the circumstances of this complaint because it concerns matters of opinion, rather than fact.

That said, when considering complaints about underinsurance, I think it's fair and reasonable to apply similar principles to those CIDRA is based on. And so, my starting point when deciding whether it was fair for LV to avoid Mrs R's policy and decline her claim is to look at how clearly LV set out what it wanted to know about Mrs R's contents and valuables. And then to consider whether the answers Mrs R provided in response were reasonable or not.

When Mrs R's policy was incepted, it was sold by a broker. I want to be clear here that this complaint focuses solely on LV and the things it was responsible for as Mrs R's insurer. So, I'll not be making any findings on anything the broker was responsible for under this complaint.

For me to conclude that LV treated Mrs R fairly and reasonably in these circumstances, I'd need to be satisfied that, at the point of sale, it made the broker properly aware of the information it wanted to know from Mrs R. Effectively, that it gave the broker enough information to enable them to ask Mrs R sufficiently clear questions. If it did, I'd then need to be satisfied that Mrs R failed to provide reasonable answers to the questions they were asked.

And for the subsequent, direct, renewal, I'd need to be satisfied that LV, itself, made the information it wanted Mrs R to provide or confirm sufficiently clear, that it provided a suitable level of guidance as to how Mrs R could go about obtaining and providing a reasonable estimate, and that it made clear the potential consequences of Mrs R not providing a reasonable estimate.

When Mrs R initially took out the policy it was based on a 'smart quote', based on five questions and a set of assumptions about her property and outbuildings, set by LV. Based on the answers Mrs R gave she was provided with a quote which included contents cover up to £80k. The quote did not include any mention of a separate valuables limit of £30k. I don't consider this evidence that LV made it clear to the broker that it needed to obtain an estimate from Mrs R as to the full replacement cost of her contents or valuables.

LV has not been able to provide any additional information to demonstrate it made it clear, to the broker, that the broker needed to obtain from Mrs R the total replacement cost of all of her contents and valuables. Neither has it shown that Mrs R would, or should, have reasonably understood that this is the information she needed to provide, from the information it provided the broker, or the information the broker provided her.

Likewise, LV hasn't been able to provide any information from the renewal which supports that it made it clear to Mrs R, directly, that it wanted to know the full replacement cost of her contents and valuables. Nor that it gave any support or guidance on how she could obtain a reasonable estimate or warned of the potential consequences of her incorrectly estimating the value of those items.

I appreciate that LV's policy booklet does explain that the limits selected need to be sufficient to cover the full replacement cost of the items. But I'm not satisfied it's fair to expect a policyholder to review and cross reference several different documents, including one which is over 30 pages long, in order to properly understand what information is being requested during the sale or renewal process. What would be fair and reasonable is for LV to clearly set out to the broker what it wanted to know from Mrs R, or for it to clearly set out to Mrs R directly what it wanted to know at the point of the renewal.

Here, I think the insurance schedule would be the document most likely to reflect the information LV told the broker it wanted to know. But LV hasn't been able to provide the 2022 schedule, only the quotations and illustrations – which did not make it clear that the contents and valuables limits, Mrs R selected, needed to be sufficient to cover the total cost of replacing all of her contents and valuables. That said, I'm mindful the 2023 schedule didn't make this clear and so, on balance, I think it's unlikely the 2022 schedule would have either.

LV has shown that it would not have offered a policy had Mrs R provided an estimate more in line with its professional valuer. But the test isn't whether Mrs R came to the same figure as a professional valuer. Rather, it's whether she provided a reasonable answer to the specific questions she was asked. And from everything I've seen, it seems to me that the information LV can evidence it asked the broker to obtain during the sale, or the information LV asked Mrs R to confirm at renewal, was how much Mrs R wanted to be covered "*up to*" – not how much her contents and valuables would cost to replace. And Mrs R has explained this was her interpretation of the questions she was asked too. She says she understood she was selecting the amount of cover she wanted to be covered "*up to*".

Taking all of this into account, I don't think it would be reasonable for me to conclude that Mrs R provided an unreasonable answer to the questions she was asked. And because she didn't, I don't consider that it would be fair or reasonable to allow LV to avoid her cover or to refuse her claim due to the underinsurance.

To put things right, LV should reinstate Mrs R's policy and reconsider her claim in line with the policy terms and conditions. This will likely leave Mrs R dual insured as I understand she has taken alternative cover elsewhere. Should Mrs R decide to cancel her alternative policy as a result of the dual insurance, LV should also cover any cancellation charges she incurs.

That said, it's clear to me that Mrs R took out the policy she did on the understanding that the most she would be covered for in the event of a claim would be £80k for contents and £30k for valuables. So, in these circumstances, I think LV can fairly and reasonably apply these limits to the claim, should it decide to accept and settle it.

In addition to reversing the avoidance and reconsidering the claim, I think LV should compensate Mrs R for the avoidable distress and inconvenience its poor handling of her claim has caused. For example, the distress of having her policy avoided and claim refused unfairly, the inconvenience of having had to source alternative cover, and the inconvenience of having had to make a complaint and pursue all the way through to the Financial Ombudsman Service, just to get to the position which LV ought reasonably to have reached on its own.

Taking into account the things LV did wrong, and the impact they had on Mrs R, I think LV should pay Mrs R £400 compensation to reflect the significant, avoidable distress and inconvenience she has been caused.

My final decision

For the reasons set out above, I uphold Mrs R's complaint.

Liverpool Victoria Insurance Company Limited must:

- Reverse the policy avoidance, including removing any record of it from any internal and external databases, and provide Mrs R with written confirmation that it has done this.
- Reconsider Mrs R's claim in line with the policy terms and conditions.
- Cover any cancellation charges Mrs R incurs if she cancels her alternative cover – subject to evidence of these being provided.
- Pay Mrs R £400 compensation for the avoidable distress and inconvenience it has caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 8 August 2025.

Adam Golding
Ombudsman