

The complaint

Limited companies B1 and B2 complain about Great Lakes Insurance UK Limited's decision to cancel a New Homes warranty policy.

Mr C, a director of both companies, brings the complaint on their behalf. For ease, I will refer to Mr C in this decision.

Great Lakes uses agents which act on its behalf to administer certain aspects of the policy and oversee the development of the properties to ensure they are constructed in line with the policy requirements. Great Lakes accepts responsibility for the actions of these agents. Therefore, any reference I make to Great Lakes in this decision is intended to also refer to the actions of any agent.

What happened

Mr C applied for a 12-year building warranty policy underwritten by Great Lakes. This policy was designed to cover new homes that were being built. The policy would provide any owners of those properties with cover for issues arising due to problems with the design or construction process.

Great Lakes accepted the application and indicated its intention to provide the warranty policy on completion of the properties. This was subject to certain requirements being met throughout the development period of the properties. The stated building period was to be between November 2021 and June 2023

There were delays in obtaining all the required planning consents for the development due to issues outside of Mr C's control. Within that time, the plots of two of the properties had to be poured to meet planning requirements. Mr C had kept his broker updated on what had been happening and why the build time had been delayed.

In 2023 Mr C asked his broker to contact Great Lakes to let it know construction of the properties was about to be started in full and asked for the required inspections of the site to be arranged.

At this point concern was raised by Great Lakes about the delay in the build being started and the fact that two foundations had been poured. It was indicated to Mr C that cover maybe withdrawn due to the increased risk this presented.

Mr C, via his broker, was able to remind Great Lakes that it was aware the foundations of the plots had been poured some time ago and that it had previously confirmed it was able to accept that risk. Mr C asked that Great Lakes reconsider its position.

Great Lakes asked Mr C to provide more detail about what had happened, including asking him to provide an updated build schedule and the current financial details of B1 and B2.

Having considered this information Great Lakes let Mr C know it was no longer intending to provide warranty cover for the building development, and it arranged for the premium paid to

be refunded.

Mr C was unhappy and complained but Great Lakes refused to change its position. Mr C brought his complaint to the Financial Ombudsman Service. When doing so he explained he was unhappy about Great Lakes' decision. He questioned whether it was driven by a desire to withdraw from the new homes warranty market rather than the specific risks relating to the development in question.

Mr C also explained the financial loss the decision had caused to B1 and B2. A new warranty policy had to be sought at a much higher price, and which only provided cover for ten years so this potentially could impact the attractiveness of the properties to purchasers. He said there was a delay in the premium being returned which meant money had to be borrowed in the meantime to finance the whole of the new policy premium, interest has been had accrued on this borrowing. Mr C also explained that a key build window had passed and due to declining weather, this pushed back the construction of the properties even further and resulted in the increasing costs escalating.

The case was passed to me to decide.

My provisional findings

I issued my provisional findings on this complaint on 4 July 2025. I said I didn't intend to uphold the complaint for the following reasons:

"I want to assure Mr C I've considered and thought carefully about all the points he has made. The purpose of my decision isn't to address every single point the parties have raised or to answer every question asked. My role is to consider the evidence presented by both parties to reach what I think is a fair and reasonable decision.

I requested and received the files from all the parties that were involved in this policy and therefore I have been able to view most of the discussions that took place regarding the withdrawal of the policy. Some telephone calls mentioned were not recorded and therefore I have been unable to listen to them, however I don't think this makes a great difference. I'm satisfied from what I've seen the main conversations took place via email and have been documented.

Withdrawal of cover

Great Lakes has explained that it decided to withdraw from providing the policy because it believed there had been a material change to the risk involved and this was no longer acceptable. In its final response to Mr C, it mentioned the fact the build time had changed significantly from what had initially been proposed. The completion date for the development was originally expected to be in June 2023 but no significant construction had taken place due to final permissions not being secured for the site until May 2023.

It isn't the role of this Service to tell an insurer what risks it should or shouldn't accept. These are decisions for the insurer to make. My role is to check that those decisions have been made in a fair and reasonable way and that a customer has been treated in the same way any other customer would have been, had they presented the same circumstances.

The terms on which the intention to provide cover were based on do set out that the insurer reserves the right to cancel all or any part of the cover if among other reasons, construction works at the development are suspended for a period of more than 180 days. It is also a requirement that the companies involved continue to meet certain requirements throughout the build time and beyond, and some of those relate to their financial position.

I can understand why Mr C would have formed the impression that baseless reasons were being used to attempt to take the policy off cover. He'd been notified the particular type of policy he had was no longer being offered to the wider market, he'd kept parties up to date on the delays in construction and then, when he later asked for a site inspection to take place so he could start fully, he was told cover was to be withdrawn due to the foundations having been poured on two plots. He then had to go to some lengths to prove that this was a risk Great Lakes had already accepted. Only for it to come back with seemingly a different reason for withdrawing.

Having looked at all the evidence available to me, I can see that a case handler did initially reach the conclusion that cover should be withdrawn as it appears they themselves were unaware of the history of the application and what was known about and agreed, at the start. When they were provided with this information, they then requested that the decision on cover continuing be reviewed further. It was at this point further information was requested from Mr C.

I can understand why Mr C would be upset with the decision to withdraw cover based on the build time slipping from what had been initially planned. As, far as he was aware, he'd kept parties updated and no issues had been raised.

Having reviewed the documentation I can see Mr C did provide updates about the delays that were happening, but these weren't passed on to all of the parties involved at the time they were given. I am satisfied however that they were taken into account later when the decision to withdraw cover was made.

Had these updates been passed on, I'm not persuaded they would have made a difference to the policy cover continuing, if anything it may have brought forward the decision to withdraw cover. I say this as I wouldn't normally expect an insurer to review its risk exposure after each piece of correspondence is received, especially in circumstances where a relatively high volume of correspondence passes between the parties under normal circumstances. Usually, a review would take place at intervals and when the next point of action is required under the policy terms. Here, that prompt was Mr C asking for the site to be inspected, up to that point nothing had been happening and therefore there was no prompt to review the risk the development presented.

Great Lakes has provided information, in confidence, to me about what fed into its reasoning to withdraw from the policy. I can't share this with Mr C as it is commercially sensitive, however I can reassure him that I have not just taken this information on face value, and I have questioned Great Lakes on it.

The primary reason for the policy being withdrawn was to do with the build time slipping, this created a change in risk to what was initially presented – and for this reason alone the policy could have been withdrawn. There were also additional reasons which related to the overall risk Great Lakes was commercially prepared to accept. While I understand Mr C has his own opinion, I can reassure him the decision was made based on underwriting factors and the information he had provided, rather than simply a desire to cancel all outstanding New Homes policies in whatever way possible. Having reviewed the documentation, I'm also satisfied that when Great Lakes made the final decision to withdraw from cover, it was in possession of all the relevant information.

Having considered all the evidence available to me, I'm satisfied Great Lakes made its decision to withdraw cover in a fair and reasonable way. I'm satisfied the withdrawal itself was also fair and reasonable.

Consequential losses

Mr C said he was ready to restart construction from May 2023 but due to the length of time taken to make the decision on cover, a key build window passed which meant he went on to incur increased costs as a result.

Having looked at the timeline I'm satisfied Great Lakes' decision was made in a timely manner. Great Lakes was entitled to ask for further information to inform its decision. In fact, that was necessary to ensure a fair decision was reached. I can see that information flowed between the parties regarding this and there were no avoidable delays. I appreciate this means a build window was missed but I can't see this was due to any error on behalf of Great Lakes, rather that it was coincidental.

Policy refund

Mr C has said the delay in the policy premium being returned to him meant that interest was incurred on finance taken out to fund a new policy. I can see from the file that Great Lakes actioned the refund without delay.

As I have found the decision to withdraw cover was reasonable, Mr C would always have needed to find a new policy. And a way to fund that while the refund was being processed.

Unfortunately, due to the chain of parties involved in this policy it did take some time for the premium payment to be returned to Mr C, but I'm satisfied there wasn't an error here by Great Lakes.

Mistake in correspondence

When writing to Mr C as part of the complaints process, Great Lakes referred to a different development unrelated to B1 & B2. I understand this was frustrating for Mr C but it didn't have any overall impact on the policy decision".

Responses to my provisional decision

Mr C said that he was unhappy with the provisional findings. He said he wants to understand further the reasons why Great Lakes withdrew the policy cover as he still does not believe the decision was fair. He wasn't informed of the criteria Great Lakes was working to at the time, and therefore he is at a loss to know if there was anything he could have done differently to ensure cover remained in force. Mr C also reiterated the withdrawal of cover and delay in the policy decision being made caused B1 and B2 significant financial loss.

Great Lakes provided no further comments for me to consider except to confirm that it does not agree to the detail of its underwriting decision being released.

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.

Mr C has explained the impact this whole situation has had on B1 and B2 as well as him personally, and he naturally has my sympathy for this. I am unable to provide any further detail to Mr C on the reasons why Great Lakes withdrew cover however I can offer some reassurance to Mr C that there was nothing he could have done differently. The circumstances at the time meant Great Lakes was no longer willing to commercially accept the risks associated with the proposed development.

Having reviewed everything again, and the further comments Mr C has made I see no

reason to depart from my provisional decision. So for the same reasons I set out in my provisional findings above, I'm satisfied Great Lakes made its decision to withdraw cover in a fair and reasonable way. I'm satisfied the withdrawal itself was also fair and reasonable.

My final decision

My final decision is that I do not uphold B1 and B2's complaint against Great Lakes Insurance UK Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask B1 and B2 to accept or reject my decision before 20 August 2025.

Alison Gore
Ombudsman