DRN-5720378

The complaint

Mr P complains that Liverpool Victoria Insurance Company Limited ("LV") mishandled his motor insurance policy.

What happened

The subject matter of the insurance was a car, made by a premium-brand car-maker and first registered in 2017.

Mr P acquired the car in 2021. At that time, Mr P got a specification sheet including "*sports package exterior*" and "*styling package-front spoiler, side skirt* ".

In June 2024, Mr P went onto a comparison or "aggregator" website. He took out a comprehensive policy for the car for the year from 22 June 2024.The cost for the year was going to be £626.61.

In late December 2024, an accident caused minor damage to the front of the car.

On 17 January 2025, LV's engineers assessed the damaged car and noted modifications.

On 30 January 2025, LV decided that when Mr P took out the policy, he made a reckless misrepresentation that the car had no modifications. So LV treated the policy as void and declined to deal with his claim for repairs.

Mr P complained to LV.

Mr P got his car back, unrepaired but still driveable. He took out a replacement policy which he says was more expensive.

By a final response dated 25 March 2025, LV said that Mr P had made a careless misrepresentation and it would refund his premium. LV included the following:

> "…*following as non standard and would have been fitted by a third party.*
> *-Carbon fibre trims on the front bumper*
> *-Carbon fibre side skirts*
> *-Carbon fibre trim on the rear bumper*
> *- Painted brake callipers*
> *- Rear splitter*
> *- Painted callipers*
> *- Tinted rear lights*
> *- Non standard front badge*"

Mr P brought his complaint to us in early April 2025.

Our investigator recommended that the complaint should be upheld. She thought that Mr P hadn't made a misrepresentation and LV hadn't acted in line with Consumer Insurance (Disclosure and Representations) Act 2012 ("CIDRA").

She recommended that LV should:

1. remove the record of the avoidance from its own database, and any industry database; and
2. reinstate Mr P's policy until the date that he took out cover elsewhere, marking the policy at that time as cancelled by him, and without charging a cancellation fee; and
3. consider Mr P's claim for his damaged car in line with the original policy terms and conditions, and levels of cover. Any refund of premiums already made to Mr P may need to be deducted; and
4. reimburse, subject to proof from Mr P of his new cover, any additional cost for the new policy compared to the policy he had with LV, until his original policy would have ended. Plus interest at a rate of 8% per year from the date the additional sum or sums were paid by the customer until settlement is made; and
5. pay Mr P £250.00 compensation for the distress and inconvenience caused by the unfair and unreasonable avoidance of his policy.

LV disagreed with the investigator's opinion. It asked for an ombudsman to review the complaint. It says, in summary, that:

- The car-maker has identified modifications that were not standard.

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.

CIDRA imposes a duty on a consumer to take reasonable care not to make a misrepresentation when taking out or varying an insurance policy.

If a consumer makes a careless misrepresentation that makes a material difference to the insurer, then the misrepresentation is a qualifying one and the insurer has certain remedies.

If the difference is that the insurer wouldn't otherwise have offered cover, then the remedies include declining any claim and treating the policy as void.

If the misrepresentation is not merely careless but reckless or deliberate, then the insurer may also decline to refund the premium.

I've seen the advert before Mr P bought the car in 2021. I haven't seen anything that would alert a reasonable consumer that after the car left the factory, someone had modified it.

Mr P is employed in a role not connected with the car industry.

Mr P has shown us an email trail between him and a dealer franchised by the car-maker. I accept that Mr P had seen the specification sheet in 2021. I don't consider that he ought reasonably to have known what was and what wasn't included in, for example the "*sports package exterior*".

The email trail shows Mr P and the dealer had an appointment in early July 2021. The emails after that date contain no suggestion that anyone had modified the car since it left the factory.

From a screenshot, I've seen that the website asked Mr P a questions including the following:

> '*Does the car have any modifications?*'

With its accompanying explanatory note, I'm satisfied that this was a clear question.

Mr P answered no. That wasn't correct. The car had, after its manufacture, a number of modifications.

LV sent us, in confidence, its commercially sensitive underwriting criteria. Also, LV's welcome letter included the following:

> "*Car modifications*
> *Changes to the manufacturer's standard specification aren't accepted, except for air conditioning, fog lights, parking sensors, tow bars or disability modifications. You don't need to tell us about these accepted changes*"

So I'm satisfied that in June 2024 LV wouldn't have covered a car that it knew to have modifications other than air conditioning etc. as quoted above.

And I accept that the car did have modifications as LV listed in its final response.

However, I accept that, from the spec sheet, Mr P reasonably believed that the car-maker had fitted packages at the factory that included the side skirt and all the other features that LV later pointed out.

Even LV's engineers struggled to identify what had and what hadn't been fitted at the factory. They mis-identified factory-fitted headlights and privacy glass as modifications, as LV conceded in its final response.

So I don't consider that Mr P failed to take reasonable care to avoid making a misrepresentation in June 2024. In other words, I'm not satisfied that he made a careless misrepresentation.

And if he didn't fail to take reasonable care, then there was no qualifying misrepresentation under CIDRA and CIDRA gave LV no remedies. So I conclude that it was unfair that LV treated the policy as void and declined Mr P's claim.

The impact on Mr P has included that he had to drive the car unrepaired. And he had to get replacement insurance at short notice, which he says was more expensive. Also, LV caused him offence by suggesting reckless misrepresentation (albeit that it later changed that to careless misrepresentation).

LV has maintained its position and not done anything to try to put things right.

Putting things right

I've thought about what it's fair and reasonable to direct LV to do to try to put things right at this late stage.

Keeping in mind the impact on Mr P, I find it fair and reasonable to direct LV to:

1. not treat or record the policy as void;

2. treat and record the policy as having been cancelled by Mr P in late January or early February 2025; and
3. not charge Mr P a cancellation fee;
4. remove any adverse information from any external database to which it has provided such information; and
5. consider Mr P's claim for damage to the car in line with the policy terms, making allowance for the recovery of the premium that Mr P paid and it refunded; and
6. write a letter to Mr P (which he may show to current and future insurers) saying that that it wrongly treated his policy as void and declined his claim; and
7. reimburse Mr P for any increased premium for the period from 30 January 2025 to 21 June 2025 insofar as he provides evidence from his current insurer that, notwithstanding the letter mentioned in the preceding paragraph 6, its premium remains higher than £626.61; and
8. pay Mr P simple interest on any amount that it pays under the preceding paragraph 7 at a yearly rate of 8% from the date of the replacement policy to the date of LV's reimbursement; and
9. pay Mr P £250.00 compensation for distress and inconvenience.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct Liverpool Victoria Insurance Company Limited to:

1. not treat or record the policy as void;
2. treat and record the policy as having been cancelled by Mr P in late January or early February 2025; and
3. not charge Mr P a cancellation fee;
4. remove any adverse information from any external database to which it has provided such information; and
5. consider Mr P's claim for damage to the car in line with the policy terms, making allowance for the recovery of the premium that Mr P paid and it refunded; and
6. write a letter to Mr P (which he may show to current and future insurers) saying that that it wrongly treated his policy as void and declined his claim; and
7. reimburse Mr P for any increased premium for the period from 30 January 2025 to 21 June 2025 insofar as he provides evidence from his current insurer that, notwithstanding the letter mentioned in the preceding paragraph 6, its premium remains higher than £626.61; and
8. pay Mr P simple interest on any amount that it pays under the preceding paragraph 7 at a yearly rate of 8% from the date of the replacement policy to the date of LV's reimbursement. If LV considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr P how much it's taken off. It should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate; and
9. pay Mr P £250.00 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 20 October 2025.
Christopher Gilbert

Ombudsman