

The complaint

Mr M has brought a complaint in his capacity as director of limited company “M”, about U K Insurance Limited trading as NIG (“UKI”) and its decision to decline a claim for damaged contents following a flood, and its decision to cancel M’s policy.

M and Mr M have been represented in this complaint by a third party. For ease, I’ll refer to the representative’s comments as Mr M’s own.

What happened

In May 2024, a claim was made under M’s policy with UKI, for damage to contents following an escape of water from the flat above the insured coffee shop premises.

A loss list was compiled by M’s loss assessor and this was passed on to UKI. UKI sent its loss adjuster to the property to validate the claim. But it subsequently declined the claim and cancelled M’s policy on the basis that the losses had been exaggerated.

Mr M made a complaint. He said he’d not intentionally exaggerated the claim, and that the cancellation of the policy had meant he was no longer able to obtain insurance for his business. He said that after he submit his claim, the item list he’d provided was revised following a meeting between the parties. He said that’s what he understood would always happen and that there’d then been agreement between the parties about what had been damaged and what was covered.

In its response to the complaint, UKI said it was clear Mr M had compiled the loss list based on everything that got wet, with no effort made to rectify the list until UKI’s involvement. It also said a later revision of the list showed that the claim had been exaggerated by 112.4%.

Our Investigator considered the complaint, but didn’t think it should be upheld. She said that based on the evidence available, Mr M had exaggerated the claim by claiming for contents which weren’t damaged. And that by his actions he had shown that he knew parts of the claim were fraudulent.

Mr M didn’t agree with our Investigator’s conclusions. He said that whilst there had been misunderstandings, UKI hadn’t been able to show that the exaggeration was intentional. So the complaint was referred to me for an Ombudsman’s 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.

As this is an informal service, I’m not going to respond here to every point raised or comment on every piece of evidence Mr M and UKI have provided. Instead, I’ve focused on those I consider to be key or central to the issue. But I would like to reassure both parties that I have considered everything submitted. And having done so, I’m not upholding this complaint. I’ll explain why.

The insurance industry regulator, the Financial Conduct Authority (FCA), has set out rules and guidance about how insurers should handle claims. These are contained in the 'Insurance: Conduct of Business Sourcebook' (ICOBS). ICOBS 8.1 says an insurer must handle claims promptly and fairly; provide reasonable guidance to help a policyholder make a claim and give appropriate information on its progress; and not unreasonably reject a claim. I've kept this in mind while considering this complaint together with what I consider to be fair and reasonable in all the circumstances.

The policy term UKI has relied on to cancel the policy and refuse the claim says the following:

"4. Fraudulent Claims

In the event of any claim under the Policy being submitted which in any respect is intentionally exaggerated or fraudulent or if any fraudulent means or devices are used by You or anyone acting on Your behalf to obtain benefit under this Policy, We;

- a will not be liable to pay the claim;*
- b may recover from You any sums paid by Us to You in respect of the claim; and*
- c may (despite the references to notice period and the refunding of premiums in General Condition 4 b) by notice to You at Your last known address treat this Policy as having been cancelled with effect from the time of the fraudulent act and may:*
 - i refuse all liability to You under this Policy in respect of any event that gives rise to Our liability occurring after the time of the fraudulent act; and*
 - ii retain any premiums paid under this Policy."*

UKI has given a number of reasons to support its view that the claim was intentionally exaggerated, including that numerous items claimed for were found to be undamaged, including but not limited to; a freezer, two drills (one of which wasn't in its box) and over £7000 worth of coffee which was salvageable and was later used.

As many items on the list provided weren't affected by the leak, this had raised concerns regarding others that were stated to have been damaged but had been disposed of. I think that was an understandable reason for UKI to have concerns and to question Mr M further.

Mr M said, in response to the fraud allegations, that the situation following the escape of water was chaotic as there was a large escape of water and many items had to be thrown away. For example, the desk was saturated and had to be disposed of, and a new one was purchased. Mr M says that when the loss adjuster attended, he based his assessment on the fact that the new desk was undamaged.

He says there was also confusion over a laptop which was damaged due to the leak, and the repairers had provided evidence to confirm it was irreparable. But that this showed he was taking appropriate care to see which items were damaged and which ones weren't.

In terms of the salvaged coffee, Mr M said that while he initially thought it may have been damaged, he was able to use it. He also considered the claim figures quoted to have been incorrect.

I've thought carefully about the burden of proof in this case. When making a claim on an insurance policy, it is for the insured – so in this case Mr M on behalf of his company – to

demonstrate he's suffered a loss covered by the policy. If he can do so, then UKI will need to accept the claim unless it can show it can fairly rely on a valid exclusion to decline it.

It's not in dispute that there was an escape of water and therefore a valid claim. So the question is whether it was fair and reasonable for UKI to rely on the fraud exclusion to decline the claim and cancel the policy. Mr M has indicated that this decision was unfair and disproportionate. Whilst it's not possible to conclude with certainty that Mr M intentionally exaggerated the claim, that's not what's required under the civil standard of proof – the balance of probabilities – which requires strong evidence that the policyholder knowingly made a false representation to gain benefit.

This means I have to determine whether it was reasonable for UKI to conclude it was more likely than not, based on the available information and evidence, that Mr M had intentionally exaggerated the claim for his own benefit. And I think that was a reasonable conclusion for UKI to reach. This is because I've seen no adequate explanation for the fact that the initial claim included items which were later found to be undamaged, and this wasn't declared to UKI at the earliest opportunity so that UKI could reduce the claim amount.

The original list included coffee with an estimated value of £7,200 whilst the revised list, produced only after Mr M was specifically asked about the undamaged coffee, doesn't include the estimate for coffee on it. UKI has said the revised list was only compiled following an interview in which Mr M disclosed that the coffee had been salvaged. Prior to this interview, it remained part of the claim, even though it was being used. There were also concerns over a number of items, not just the coffee. These included the undamaged sealed bottles of alcohol, (which it is claimed were disposed of – but UKI considered it unlikely that, even if labels had been damaged, the alcohol couldn't have been served to customers). There were also discrepancies regarding the drills, the freezer, the filing cabinet and a coffee machine. UKI didn't consider that adequate explanations had been offered as to why the items remained claimed for until the interview took place.

I've considered the explanations that were given. Mr M has said that he thought the initial claim would always have been reviewed and then revised, and that he'd been informed of this at an early stage. It's not clear who informed him of this. But Mr M had employed the assistance of a loss assessor, and that loss assessor acted as Mr M's agent. So although the loss assessor may have had a role in assisting with the claim, this didn't absolve Mr M of his own responsibility to provide UKI with accurate information. The onus was on Mr M at all times to ensure the claim he submit was accurate.

Mr M didn't attend an agreed remote interview, but did attend the second interview which took place on 15 October 2024. And it was during that interview that Mr M disclosed that some of the items originally claimed for could be removed. As the claim had been made in May 2024, I think Mr M had sufficient time to disclose to UKI that various items should be removed from the claim, much sooner than he did. Whilst Mr M believes this was an innocent mistake, it's clear he knew certain items were undamaged and continued to claim for them until questioned. And the number of claimed items that were later found to be undamaged also persuades me that UKI wasn't acting unreasonably when it considered those actions dishonest. All in all, I think UKI had enough information to be able to fairly consider the exaggeration intentional and not merely an honest mistake.

It follows therefore that as I'm satisfied it was reasonable for UKI to rely on the fraud term based on the evidence it was presented with, I won't require it to do anything differently here. There was also an issue regarding underinsurance, but as I'm satisfied the claim can be fairly declined and the policy cancelled on the basis of the fraud term in the policy, I haven't considered the underinsurance issue further.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 17 January 2026.

Ifrah Malik
Ombudsman