

The complaint

Mrs T has complained about FAIRMEAD INSURANCE LIMITED ("Fairmead") deciding to proportionately settle her claim on her property insurance policy following a fire at her home. She says its decision to settle the claim in this way is unfair. Mrs T has said the decision has caused her severe distress and has delayed her claim.

All references to Fairmead include its agents.

Mrs T also has appointed a third party to represent her in this complaint but as the complaint is about her policy, I'll refer to her only.

What happened

Mrs T took out a property insurance policy in December 2022. In October 2023 there was a fire at Mrs T's property so she made a claim on her property insurance policy. Mrs T has explained she was living in the property with her family, including a young child.

Fairmead instructed a loss adjuster ("LA") to inspect the damage and provide a report. And it arranged for a forensic report. Both reports were made available in November 2023. In his report, the LA said Mrs T said there were four bedrooms in the property. Mrs T denies she said this. He highlighted that only three bedrooms had been declared at the time of the policy inception. The LA said he considered the property had a minimum of four bedrooms but it could be argued there were five bedrooms with one being used as an office. The LA provided photos of the rooms which he said showed there were four bedrooms.

Mrs T was asked to explain why this information was different from the information she gave when she took out the policy. She explained there were only three bedrooms and one of the rooms the LA had said was a bedroom was a living room. After some back and forth, around January 2024, Fairmead accepted Mrs T's claim. But it said it was doing so on the basis there were four bedrooms. And in March 2024, Fairmead let Mrs T know it planned to apply a 29% reduction to her claim to reflect how much her premium would've been increased by if she'd declared the correct number of bedrooms. After Mrs T disputed this, Fairmead said the correct reduction would be 22.48%.

Mrs T didn't think this was fair so she raised a complaint. She highlighted the terms of the policy define a 'Bedroom' by its original design rather than by what it's used as now. And she provided plans from when the house was developed and from a recent planning application to support her view that there were three bedrooms as per the definition of the policy. She said the LA had expanded the definition by saying a bedroom is a room either originally designed for sleeping in or later converted for sleeping in. And she didn't think that was fair.

Fairmead didn't think it had done anything wrong. It was satisfied there were four bedrooms, Mrs T's premium should've been higher and it had fairly applied a proportionate settlement. Mrs T didn't agree, so she asked our Service to look into things. Our Investigator upheld the complaint. He said under the definition of the policy, Mrs T's property had three bedrooms. He thought Fairmead should settle the claim in full and pay Mrs T compensation. Fairmead didn't accept our Investigator's view so the complaint was 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.

Based on everything I've seen, I've decided to uphold this complaint for broadly the same reasons as our Investigator. I'll explain why.

Proportionate settlement

The first issue in dispute in this case is how many bedrooms Mrs T's property had. Fairmead says its LA saw four rooms around the house which looked to be used as bedrooms. He's highlighted four rooms had beds within them. It seems Fairmead therefore thinks all four of these rooms should have been declared as bedrooms when Mrs T took out her policy. And if I applied the LA's definition of a bedroom – a room which is either originally designed for sleeping in or later converted for sleeping in – that might be the case. But I don't agree that's the correct definition of a bedroom under the policy terms.

Fairmead has provided a copy of the policy terms and conditions applicable in this complaint. Under the definitions section, "Bedroom(s)" is defined as, *"A room originally designed as a bedroom even if it is now used for other purposes. If the HOME has an annex, the number of BEDROOM(S) declared must include the annex"*.

So, having thought about this definition carefully, I'm satisfied in this case that a room meets the definition of a bedroom if its original design was that of a bedroom. And I've not been given anything to show rooms which are later used for sleeping in, even if they have beds, come within the definition of "Bedroom(s)" under the terms of Mrs T's policy.

Mrs T's given us her property plans from around 1982. These show the room in dispute was labelled as a living space. And I can see from her recent planning application to the local authority, the plan shows three bedrooms and a living room. So I'm satisfied the original purpose or design of the room when major works were carried out was not of a bedroom.

I appreciate Fairmead says it doesn't think the original plans are relevant in this case as they are from over forty years ago. Instead, it says the current use and layout of the property is more important. But in saying that, I don't consider it's acting in line with its policy terms which focus only on the original design of the room. And that is set out in the plans provided.

Under the Consumer Insurance (Disclosure and Representations) Act 2012 ("CIDRA"), insurers are entitled to apply a proportionate remedy in claims where the information provided wasn't accurate. And that's what Fairmead has done here. But I'm not persuaded Fairmead has demonstrated that Mrs T made a misrepresentation in this case.

I've listened to the call from when Mrs T first took out her policy. She was asked what the total number of bedrooms was and she said three. Considering the definition of bedrooms under the policy and the plans showing the original property design, I'm satisfied this answer was correct. I'd also highlight that no guidance or direction was given by the representative during the call to explain what would be considered a bedroom under the policy terms.

Distress caused

Mrs T made the claim on her policy in October 2023. Fairmead indicated there was an issue with liability around November 2023 and let Mrs T know it would accept liability on the basis of her property having three bedrooms in January 2023. I can see she chased regularly and explained the situation was worrying her. Fairmead told Mrs T it would be applying a reduction to her settlement around March 2023, again after she chased it and it originally told her the incorrect amount. I can see there's been a great deal of back and forth between Mrs T and Fairmead throughout the claim and she hasn't felt she's been treated fairly.

Fairmead has continued to maintain its position even after our Investigator's view. So this issue has been in dispute for Mrs T for around 18 months. Considering her circumstances and that she's said she can't afford to reinstate her property with the reduction applied, I'm persuaded this would've caused her a great deal of distress and worry at an already extremely difficult time after losing her home. Our Investigator recommended Fairmead pay Mrs T £1,500 to compensate her for the impact it has had on her and I'm satisfied that's fair.

Putting things right

To put things right in this case, I direct Fairmead to:

- Settle Mrs T's claim without applying the reduction. If Fairmead has already paid the claim on a proportionate basis, it should pay Mrs T the difference between the amount it paid and the amount it should've paid if it hadn't applied a reduction.
- Assess the property for any additional damage caused by deterioration while things weren't progressing due to this issue. If there is any damage directly caused by this issue, Fairmead should settle this outside the value of the claim.
- If Fairmead hasn't already done so, it should reimburse Mrs T for any remedial work she's paid for which should've been covered by the claim.
- If Fairmead has already settled the claim, it should add 8% simple interest to the amounts above that Mrs T has been out of pocket by, from the date of the original payments until the date of settlement.

My final decision

My final decision is that I uphold this complaint and I direct FAIRMEAD INSURANCE LIMITED to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 21 November 2025.

Nadya Neve
Ombudsman