

The complaint

Mr A complains that Society of Lloyd's increased the premium for his motor insurance policy because it said he had made a misrepresentation when he took out the policy. Mr A is represented in this matter by his broker. Reference to Society of Lloyd's includes its agents.

What happened

Mr A renewed his policy with Lloyds. It carried out validation checks and found that Mr A had an undeclared claim on his record. It then increased his premium by £105.99 and charged £25 for policy amendment. When Mr A complained, it said he'd made a careless misrepresentation as he hadn't declared the claim, and this entitled it to increase his premium. But Mr A was unhappy because he said the claim related to a named driver on another policy with another insurer.

our investigator's view

Our Investigator didn't recommend that the complaint should be upheld. He thought Lloyds had asked a clear question about previous claims made by the policyholder. And he thought Mr A had answered this question incorrectly as he hadn't disclosed the claim made by a named driver. He agreed this had been a careless misrepresentation. And so he thought Lloyds was entitled by the policy's terms and conditions to increase the premium and charge an administration fee.

Mr A replied that he thought it was unfair for Lloyds to take into account a claim from a driver not on the policy. He thought he hadn't made a misrepresentation as Lloyds didn't specifically ask for the policyholder's driving history.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mr A and to Lloyds on 6 October 2025. I summarise my findings:

I could understand that Mr A felt unhappy that Lloyds increased his premium for his policy. Lloyds said Mr A had made a misrepresentation when he renewed his policy. So I was satisfied that the relevant law in this case was The Consumer Insurance (Disclosure and Misrepresentation) Act 2012 (CIDRA). This requires consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance contract (a policy). The standard of care is that of a reasonable consumer.

And if a consumer fails to do this, the insurer has certain remedies provided the misrepresentation is - what CIDRA describes - as a qualifying misrepresentation. For it to be a qualifying misrepresentation the insurer has to show it would have offered the policy on different terms or not at all if the consumer hadn't made the misrepresentation.

CIDRA sets out a number of considerations for deciding whether the consumer failed to take reasonable care. One of these is how clear and specific the insurer's questions were. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless or careless.

If the misrepresentation was reckless or deliberate and an insurer can show it would have at least offered the policy on different terms, it is entitled to avoid the consumer's policy. If the

misrepresentation was careless, then to avoid the policy, the insurer must show it would not have offered the policy at all if it wasn't for the misrepresentation.

If the qualifying misrepresentation was careless, and if the insurer would still have provided the insurance but charged a higher premium, the insurer may change the terms of the policy and/or reduce proportionately the amount to be paid on any future claim. It must give notice to that effect to the consumer or may instead cancel the policy altogether by giving reasonable notice to the consumer.

CIDRA doesn't give the insurer the right to automatically charge a higher premium. If the insurer tells the consumer it wants to change the terms of the policy and/or reduce proportionately the amount to be paid on any future claim, the consumer has the right to cancel the policy by giving reasonable notice to the insurer. If either party cancels the policy, the insurer must refund any premiums paid for the cancelled cover in relation to the time left on the policy.

Our approach is that we won't normally interfere if the consumer is happy with the insurer's offer to keep the policy in place in return for additional premium (equal to what it would have charged if it had had the correct information at the start of the policy).

But if the policyholder doesn't want to pay that additional premium the insurer must use the remedies available in CIDRA. And we'd often think that the fairest outcome would be for the insurer to give the consumer the opportunity to cancel the policy themselves, given this may not then lead to them having to declare in future that an insurer had cancelled a previous policy.

Lloyds thought Mr A failed to take reasonable care not to make a misrepresentation when he stated in his application via a broker that he had no claims within the previous five years. And I looked at the question he was asked when he completed the application, and I agreed he failed to take reasonable care. This was because he was asked:

"Have you or any person who may drive had any accidents/claims/losses (whether to blame or not) in connection with any motor vehicle during the last five years?"

And I thought this was a clear question asked by Lloyds.

Mr A said "No". He explained that this was because he didn't think a claim made by a named driver on another policy should have been disclosed. But I disagreed. This was because Mr A was taking out the policy and, even though a named driver was driving the car at the time of the claim, the car belonged to Mr A and a claim was made on his policy.

So Mr A was taking out the policy with Lloyds and did not declare a claim recorded on another motor policy for which he was the policyholder. And I thought this meant Mr A failed to take reasonable care not to make a misrepresentation when he said he had no claims within the previous five years.

Lloyds had provided evidence from its underwriters which showed that if Mr A had not made this misrepresentation, it would still have offered him cover but it would have charged him a higher premium. This meant I was satisfied Mr A's misrepresentation was a qualifying one under CIDRA.

I also thought Mr A's misrepresentation was a careless misrepresentation. This was because Lloyds hadn't provided evidence to show that Mr A intended to answer the question incorrectly. So I was satisfied he misinterpreted the question he was asked.

As I've stated above, if the qualifying misrepresentation was careless and the insurer would have charged a higher premium if the consumer hadn't made the misrepresentation, it's entitled to cancel the policy or to tell the consumer any future claims would be settled proportionately.

But it can also ask for an additional premium and so keep the policy going. And it should make it clear to the consumer what the alternatives are. And, if it charges an additional

premium, then in keeping with the policy's terms and conditions, Lloyds can charge a fee for the amendment.

I asked Lloyds for copies of the correspondence it sent to Mr A to see what options it gave him when it discovered the misrepresentation. But from what I could see, it simply recalculated the premium and required Mr A to pay this. This wasn't in keeping with the remedies available to it under CIDRA. I was satisfied that it should have given Mr A the options of cancelling his policy himself, settling any future claims proportionately or paying the additional premium and amendment charge.

From what Mr A had told us, he'd yet to pay the additional charges. And so I thought the three options were still open to him to choose between. I thought this failure by Lloyds to comply with CIDRA had caused Mr A trouble and upset. And I thought that, in keeping with our published guidance, it should pay him £100 compensation for this.

In summary, I was satisfied that Mr A's misrepresentation was a qualifying one under CIDRA. But I couldn't see that Lloyds applied the remedies available to it under CIDRA where there has been a careless qualifying misrepresentation but for which it would have charged a higher premium.

And as this wasn't in keeping with our long-standing approach, I was not satisfied that Lloyds had acted in accordance with CIDRA. And I thought Lloyds needed to put this right to produce the fair and reasonable outcome in this complaint.

Subject to any further representations from Mr A and Lloyds, my provisional decision was that I intended to uphold this complaint in part.

I intended to require Society of Lloyd's to offer Mr A the option of cancelling the policy himself (refunding any unused premium), retaining the policy but settling any future claims proportionately or paying the additional premium and amendment charge. And to pay Mr A £100 compensation for the distress and inconvenience caused by its administration of his policy.

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 A replied that he accepted my provisional decision. Lloyds replied clarifying that it had a two-stage procedure to respond to consumers' complaints, as set out in the rules that govern us. And it therefore said it had sent Mr A just one final response letter to his complaint giving him referral rights to our service.

And I can see that Mr A received a response to his complaint from the policy's underwriters referring him to Lloyds if he remained unhappy. And then Lloyds provided a final response letter giving Mr A his referral rights to our service. After Mr A brought his complaint to us, Lloyds asked us to record it against Lloyds rather than the policy's underwriter. So I'm satisfied that it's for Lloyds to provide a fair and reasonable response to Mr A's complaint.

Lloyds said the broker had the responsibility for providing information to Mr A about his options when it was informed of the premium increase. It's not for me to comment on Lloyds' arrangements and procedures.

But I've looked at its communication with the broker and I think the underwriter clearly instructed that a premium increase was due because of the misrepresentation. And, as I've said above, the insurer can ask for an additional premium and so keep the policy going. But it should make it clear to the consumer what the alternatives are. And this didn't happen.

Lloyds said Mr A would have been in a far worse position if he had accepted that any future claim would be settled proportionately rather than simply pay the increase in premium. And I agree that this would have been the case if Mr A had to make a claim.

But our approach is that the options under CIDRA should have been presented to Mr A so that he could make a choice of how to proceed. But this didn't happen. And I can see that both of the two responses to Mr A's complaint repeated the demand for the increased premium without reference to any other options.

Lloyds said I hadn't given it sufficient time to obtain correspondence between the broker/representative and Mr A and that this had caused it prejudice. But I disagree as the broker/representative provided us with this and it was the same email chain that Lloyds had already included in its file. Lloyds wasn't then able to provide us with any further correspondence.

So I've considered what Lloyds has said, but I can see no reason to change my provisional decision. I haven't seen anything that Lloyds sent to the broker/representative that would advise it to tell Mr A of his options under CIDRA following the misrepresentation. And I think it's the insurer's responsibility to present the options to the consumer, either directly or through its agents. So I still think Lloyds should put things right for Mr A and compensate him for the trouble and upset this matter has caused him.

Putting things right

I require Society of Lloyd's to do the following:

1. Offer Mr A the option of cancelling the policy himself (refunding any unused premium), retaining the policy but settling any future claims proportionately or paying the additional premium and amendment charge.
2. Pay Mr A £100 compensation for the distress and inconvenience caused by its administration of his policy.

My final decision

For the reasons given above, my final decision is that I uphold this complaint in part. I require Society of Lloyd's to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 24 November 2025.

Phillip Berechree
Ombudsman