

## **The complaint**

Mr U has complained about the way Society of Lloyd's (Lloyd's) dealt with a claim he made for a stolen car under his car insurance policy.

## **What happened**

Mr U bought a temporary car insurance policy with the insurer Lloyd's for nine days.

During this time he reported that his car had been stolen.

While investigating the claim, Lloyd's arranged for Mr U to be interviewed. During the interview Mr U said he'd had a previous car insurance policy cancelled and he'd been involved in an incident in the previous five years.

Mr U hadn't declared this information when he applied for the policy with Lloyd's.

Lloyd's wrote to Mr U to tell him it intended to avoid his policy for deliberate misrepresentation. But when it did, it used incorrect information about another person (it didn't identify the person). Lloyd's incorrectly said it intended to avoid the policy due to Mr U's history of criminal convictions and failing to disclose modifications to his car.

Mr U complained to Lloyd's as he was very upset about the incorrect information it had relied on to decide to avoid his policy and not meet his theft claim.

Lloyd's apologised to Mr U for its mistake. For the impact of the incorrect letter, it paid Mr U £100 compensation, which on further review it increased by £250, to £350 for the distress and inconvenience caused. And Lloyd's acknowledged that it had caused avoidable delays. It paid Mr U £400 compensation for its delay. So Lloyd's paid Mr U a total compensation award of £750.

Lloyds said the reason it maintained its decision to avoid Mr U's policy for deliberate misrepresentation was because:

- It believed Mr U had bought the car to sell it on in a capacity as a motor trader
- Mr U hadn't declared a previously cancelled policy by an insurer
- Mr U hadn't declared a previous claim within the past five years

Mr U asked us to look at his complaint. One of our Investigators asked Mr U for more information about the previous cancellation and previous claim. Mr U confirmed an insurer had cancelled a policy in 2017 for failing to install a telematics box to his car. He said he was previously involved in a non-fault incident in February 2020, so within five years of applying for the policy in October 2024.

Our Investigator thought Lloyd's had fairly avoided Mr U's policy for deliberate misrepresentation as the previous cancellation by an insurer was something Mr U was aware of. So she found Lloyd's had acted in line with the relevant legislation and the policy terms in deciding to avoid the policy and not meet the claim.

The Investigator thought Lloyd's had done enough to resolve Mr U's complaint. While it had made errors and caused delay in deciding on the claim, she thought the compensation Lloyd's had paid for the distress and inconvenience caused was fair.

Mr U disagrees and wants an ombudsman to decide. He says the misrepresentation wasn't deliberate. It was careless as he didn't remember the cancellation when he applied for the policy. He believes where the misrepresentation is careless, an insurer cannot avoid the policy.

So as Mr U disagrees, the case has been 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.

The relevant law in this case is The Consumer Insurance (Disclosure and Representations) 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. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless, or careless.

Lloyd's thinks Mr U failed to take reasonable care not to make a misrepresentation when he affirmed the statement that he had never had a previous policy cancelled and that he hadn't made a claim in the past five years.

I've looked at the statement confirmed on Mr U's policy documents when he applied for temporary insurance with Lloyd's. The statement reads under 'Declarations':

*"I have never had a policy cancelled, refused or voided by an insurer"*

Under the full policy wording, Lloyd's wrote;

*"Under the terms of the Consumer Insurance (Disclosure and Representations) Act 2012, it is your responsibility to take reasonable care to provide us with complete and accurate information when you take out your policy and throughout the life of your policy. In deciding to accept this policy and in setting the terms and premium, we have relied on the information you have given us. You must take care when answering questions we ask by ensuring that all information provided is accurate and complete."*

So I find that Mr U failed to take reasonable care when applying for this policy in not declaring he'd had a previous policy cancelled by an insurer.

In order to decide if the misrepresentation was a qualifying one, I've looked at whether Lloyd's would have offered Mr U a policy or if it would have changed the terms of the policy

had it known the correct information.

Lloyd's has provided underwriting evidence to show that had it known a previous policy had been cancelled in Mr U's name by an insurer, it would have declined offering a policy to him. An insurer's underwriting criteria is commercially sensitive, so it cannot be shared with customers. But we can ask an insurer to share it with us to show if it treated a customer fairly when applying it.

Having reviewed the evidence provided by Lloyd's I am satisfied it wouldn't have offered a policy to Mr U and so it has treated him fairly and as it would any other customer in the same position.

This means I find that Mr U made a qualifying misrepresentation.

Lloyd's has classified the misrepresentation as deliberate/reckless. Where an insurer decides this, it can keep the premium a customer has paid when avoiding the policy. Where an insurer classifies misrepresentation as careless, and would not have offered cover, it should provide a pro rata refund of premiums, subject to there being no claim the insurer is required to meet.

I agree with Lloyd's decision that Mr U's misrepresentation was deliberate/reckless. I find the declaration was clear that he had never had a previously policy cancelled by an insurer. Lloyd's has provided a copy of the key part of the recorded interview with Mr U where he confirmed he had a previous policy cancelled. He said he remembered because he was stopped by the police for driving while having no insurance.

Mr U told us an insurer had cancelled a policy because he had failed to install a telematics box. In the interview Mr U said the insurer said it had written to Mr U confirming the cancellation, but he hadn't received it.

Mr U told us he recorded when he was stopped by the police, which was in July 2017. So I find on balance that Mr U was aware that he'd had a previous policy cancelled when he applied for this policy in October 2024.

As I'm satisfied Mr U's misrepresentation should be treated as deliberate, I've looked at the actions Lloyd's can take in accordance with CIDRA.

Lloyd's avoided Mr U's policy, kept the premium he paid and refused to meet his theft claim.

I understand Mr U believes that where the misrepresentation is deemed as careless, then an insurer should not avoid his policy. But this isn't what CIDRA says. As Lloyd's has reasonably shown it would not have offered Mr U a policy had it known he'd had a previous policy cancelled by an insurer, it is entitled to avoid the policy, irrespective of whether the misrepresentation was careless or deliberate/reckless. If Lloyd's would have offered a policy on different terms, and the misrepresentation was deemed as careless, it should provide cover for Mr U at an increased premium (if there has been no claim) or pay the claim proportionately. But this doesn't apply to Mr U's circumstances as Lloyd's would not have offered a policy.

So I'm satisfied Lloyd's was entitled to avoid Mr U's policy in accordance with CIDRA. And, as this means that – in effect – his policy never existed, Lloyd's does not have to deal with his claim following the theft of his car. As CIDRA reflects our long-established approach to misrepresentation cases, I think allowing Lloyd's to rely on it to avoid Mr U's policy produces

the fair and reasonable outcome.

There's no dispute that mistakes have been made by Lloyd's when dealing with Mr U's claim. I can understand why Mr U was upset when receiving a letter from Lloyd's with incorrect information as to the reasons for declining his claim. Lloyd's relied on another person's information which had no resemblance to Mr U's history.

For the first three months of the claim, Lloyd's carried out its enquiries in a reasonable period of time and needed documentation from Mr U. However, after this date Lloyd's accepts it caused avoidable delays.

I've looked at the impact of the errors made by Lloyd's and its handling of the claim. I find that the total compensation award Lloyd's has paid is fair and in line with awards we would give in similar cases. Lloyd's paid Mr U £350 compensation for the incorrect information in its letter dated 24 April 2025 and £400 for avoidable delays. I think the total compensation award of £750 is a fair amount to reflect the distress and inconvenience caused.

I understand Mr U is unhappy that Lloyd's suggested his behaviour in the purchase of the car, the type of insurance purchased, and the almost immediate advertisement of the car for sale meant he was acting in the capacity of a motor trader. As the reason why Lloyd's ultimately avoided Mr U's policy doesn't relate to this suggestion, it doesn't change the outcome.

### **My final decision**

For the reasons I've given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 3 February 2026.

Geraldine Newbold  
**Ombudsman**