

The complaint

Mr E and Ms V have complained that Zurich Insurance Company Ltd unfairly voided their home insurance policy (treated it as if it had never existed) and refused to pay their claim.

What happened

Mr E and Ms V bought their home in 2022 for about £4,000,000. In 2024 they took out a home insurance policy with Zurich via an online comparison site. They used a calculator on the website to work out the rebuild cost. The calculator estimated a rebuild figure of under £900,000 but they chose to increase this to £1,000,000.

A few months later they made a claim to Zurich after a flood in their basement. Zurich instructed a surveyor to calculate the rebuild cost. The surveyor thought it would cost £2,324,000 to rebuild the property. Zurich said if it had been told the correct buildings sum insured, it wouldn't have offered cover. That's because it didn't accept properties with a rebuild cost over £1,000,000. It voided the property back to the date when it was taken out.

Mr E and Ms V obtained alternate insurance for their property and paid for the repair work. They referred their complaint to this service. Our Investigator upheld the complaint. She recommended that Zurich should:

- settle the claim up to the policy limit and subject to the remaining terms and conditions of the policy;
- pay 8% interest on the settlement;
- pay £500 compensation; and
- remove any record of the policy voidance.

Zurich noted that the property was mortgaged and thought as a result there would have been a survey report when Mr E and Ms V bought the property in 2022 showing the rebuild value. It also said they should have known that a property worth £4,000,000 would be unlikely to have a rebuild value of just £1,000,000.

As Zurich disagreed, the matter has been referred to me.

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.

So far as the survey report is concerned, Mr E and Ms V have since provided a copy of that. It doesn't mention the rebuild cost of the property.

When taking out the policy, Mr E and Ms V were asked to estimate the rebuild cost of their property. An estimate is a matter of opinion rather than fact. There's likely to be a range of values, as there were in this case. I'll decide this complaint according to what I consider fair

and reasonable in the circumstances.

Clearly the answer to the question about the rebuild cost was incorrect even allowing for a range of values. By Zurich's calculation the property was underinsured by 43%. I need to look at whether Mr E and Ms V were careless in putting a rebuild cost of £1,000,000. They arrived at that figure with the help of an online calculator on the price comparison website. On that site they were asked:

"How much would it cost to rebuild your home today?"

Zurich thought Mr E and Ms V should have known that their home wasn't a standard property suitable for the online calculator. However there was nothing on the website to warn them about this. Instead it said:

"Wondering how to work this out

The Building Cost Information Service (BCIS) rebuild cost calculator offers an independent estimate of the rebuild cost based on your home's location and the number of rooms."

Zurich also thought Mr E and Ms V should have known that a property worth £4,000,000 would be unlikely to have a rebuild value of just £1,000,000. Again there was nothing on the website to warn them about this. On the contrary it said:

"The rebuild cost is the amount of money you'd need to rebuild your home from scratch. The amount is usually lower than the market value of your home because it doesn't include the value of the land."

Mr E and Ms V didn't go with the lowest figure suggested by the online calculator. They chose cover of £1,000,000. Even though this turned out to be far short of the rebuild value I think they took reasonable care in arriving at this figure as there was nothing to indicate that the online calculator was unsuitable for their type of property. That means I don't think it was fair for Zurich to void the policy and decline the claim. It follows that I think Zurich should settle the claim plus interest and remove all record of the voidance.

Having an insurance policy voided is something which most policyholders find very stressful and Mr E and Ms V were no exception. It makes obtaining replacement cover more difficult. In addition, Mr E and Ms V had to arrange and fund the repairs themselves. I think a payment of £500 is appropriate in the circumstances to compensate them for the unnecessary trouble and upset caused to them.

Putting things right

To put things right I think Zurich should:

- settle the claim up to the policy limit and subject to the remaining terms and conditions of the policy;
- pay simple interest of 8% on the settlement amount from the date of payment to the date of settlement subject to satisfactory evidence of the amount paid;
- pay Mr E and Ms V £500 compensation; and
- remove any record of the policy voidance from internal and external databases.

My final decision

For the reasons given above I uphold this complaint and require Zurich Insurance Company

Ltd to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E and Ms V to accept or reject my decision before 4 February 2026.

Elizabeth Grant
Ombudsman