

## **The complaint**

Mr and Mrs S have complained about the way their claim under their home insurance policy has been handled by HDI Global Speciality SE and what it has paid in settlement of it.

Any reference to HDI Global includes its agents.

## **What happened**

The background to this complaint is well known to both parties, so I will not repeat it here.

One of our investigators considered Mr and Mrs S's complaint and said that it should be upheld. He said HDI Global needed to provide details of three independent loss adjusters for Mr and Mrs S to choose from and cover the cost of appointing the one they chose. And pay Mr and Mrs S a further amount in settlement of their claim if the loss adjuster thought the settlement value of their claim should be more than the £470,000 HDI Global had already paid in settlement of it. He also said HDI Global should pay Mr and Mrs S compensation of £2,500 for the distress and inconvenience they'd experienced due to what he considered to be the poor handling of their claim by HDI Global.

Mr and Mrs S accepted the investigator's view.

HDI Global disagreed with the investigator's view and asked for an ombudsman's decision. It said that it had already paid £470,000 in settlement of Mr and Mrs S's claim, and that any further amount due to them could only be the subject of a recommendation, as our award limit in respect of Mr and Mrs S's complaint is £430,000. It argued that I do not have the power to 'unpick' the legally binding bona fide settlement agreement Mr and Mrs S signed. And it said that, in any event, it was satisfied that the settlement it had agreed with Mr and Mrs S was fair and reasonable. It also explained that it felt that Mr and Mrs S failed to take reasonable care not to make a misrepresentation when taking out their policy in relation to the value of the contents of their home.

Having reviewed HDI Global's response to our investigator's view, I asked him to obtain Mr and Mrs S's comments on why they had signed a legally binding agreement in settlement of their claim and dispute with HDI Global if they were not happy with the settlement amount proposed.

In essence, they made the following points:

- (i) That there was a misrepresentation by HDI Global which induced them to sign the settlement agreement;
- (ii) that they did not seek legal advice and therefore were prevented from making a fully informed decision;
- (iii) that they were under duress when signing the agreement; and
- (iv) they were given an unrealistic deadline to consider the agreement.

I issued a provisional decision on 28 January 2026 in which I set out what I'd provisionally

decided and why as follows:

*I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*Having done so, I have provisionally decided that it should not be upheld. I'll explain why.*

*Having considered the terms of the settlement agreement that Mr and Mrs S signed, I am satisfied that the acceptance of the offer by HDI Global formed a binding contract between the parties to settle the subject matter of Mr and Mrs S's claim and complaint. This is because:*

- *The wording of the settlement agreement covers both actual and potential disputes*
- *capable of settlement.*
- *The terms of the agreement are clear and sufficiently certain.*
- *The settlement includes consideration.*
- *The settlement agreement was signed by both parties, indicating their acceptance to the terms of the agreement.*
- *There is nothing to suggest that Mr and Mrs S lacked capacity at the time of signing; that their signature was conditional; or that they were mistaken as to the nature of the transaction.*

*I've noted Mr and Mrs S's concerns as set out above. However, I am not persuaded that what they've said means they should not be bound by the agreement they signed.*

*There are three possible tests which would be relevant considerations on points (ii) to (iv).*

*The first would be that Mr and Mrs S signed the agreement under duress. In law, duress could have arisen for the following reasons:*

- *there was a threat or pressure by HDI Global which was illegitimate. An example of illegitimate pressure which might be relevant is where HDI Global used reprehensible means to manoeuvre Mr and Mrs S into a vulnerable position where they were forced to waive their claim for a higher settlement amount;*
- *an illegitimate threat or pressure caused Mr and Mrs S to enter into the contract with HDI Global; and*
- *Mr and Mrs S had no reasonable alternative but to give in to the threat or pressure.*

*If the contract Mr and Mrs S entered into with HDI was entered into under duress it would be voidable. But it is probably worth me saying that if this were the case it would have to be avoided as a whole; and there would generally be a need to return the benefit received under the contract.*

*The second would be an unconscionable taking advantage of Mr and Mrs S by HDI Global. The following considerations are relevant here.*

- *There is unlikely to be a general equitable principle enabling me to interfere with a contract on the grounds that it is a harsh and unconscionable bargain. And inequality of bargaining power and/or pressure would not be sufficient for me to do this.*
- *There are a small number of court cases covering this issue, but the modern cases have involved contracts where (a) the bargain was oppressive to the complainant; (b) the*

*complainant was suffering from what legal commentators describe as “certain types of bargaining weakness”; and (c) the other party acted unconscionably by knowingly taking advantage of the complainant.*

- *The oppressive nature of the contract must be such that the complainant is either getting nothing out of it or clearly very substantially below the correct value.*
- *The “bargaining weakness” is where the complainant is at a substantial disadvantage, through poverty, ignorance, lack of advice, etc. The weakness must be known to the other party.*
- *The final consideration is a requirement that the other party must have behaved in a morally reprehensible manner, e.g. by taking advantage of an inexperienced person to introduce terms which no sensible person would have agreed to.*

*The third test would be a breach of the Financial Conduct Authority (FCA) rules. However, I do not consider the requirements for any of these tests are met by the circumstances leading to the agreement being signed by Mr and Mrs S for the following reasons:*

- *There appears to be reasonable grounds for HDI Global to be concerned about underinsurance. So, I think it was reasonable for it to cite this as a possible reason for avoiding Mr and Mrs S’s policy or settling their claim on a proportionate basis.*

*I say this because Mr and Mrs S had insured their contents (excluding valuables, antiques and works of art, gold and silver) for £100,000. They have a six-bedroom house. And if I were to simply take the claim for curtains, Mr and Mrs S’s email of 14 February 2024 states that there are 38 pairs of curtains, plus 38 pairs of net curtains, of which 18 need replacing at a cost of £18k and the remainder need cleaning. Even if I were to assume the curtains which are to be cleaned are cheaper, there are 20 pairs of them. This means there are probably at least £25,000 of curtains in total in their home. So, allowing for furniture, rugs/carpet, clothing, bedding and towels, kitchen stuff, white goods, technical equipment, other electronics, sports gear and lighting etc it seems there is a strong possibility Mr and Mrs were under-insured. So, it does not appear to have been unconscionable for HDI Global to raise the issue.*

- *Mr and Mrs S should also have been able to add up the value of their contents to assess whether there was any merit to HDI Global’s concerns about underinsurance or not. I appreciate this might have been challenging, but it was possible, if they were concerned and were considering signing the agreement in case there were under-insured and HDI Global decided to act on this.*
- *Mr and Mrs S now think that the claim should have been settled for a great deal more than the £470,000 HDI Global has paid, but the £470,000 settlement they agreed and signed on is still for a significant proportion of the claim value. So, it may well be that they have already received more than they would have done if HDI Global were entitled to offer a proportionate settlement.*
- *HDI Global had already paid Mr and Mrs S £100,000 as an interim payment. It is not clear what they did with this money, but it would have to some extent have taken the financial pressure off.*
- *Mr and Mrs S were given six weeks to consider the offer. I think this was a reasonable period of time in the circumstances. And it gave them plenty of time to obtain legal*

advice.

- *Mr and Mrs S were told that they might want to take legal advice several times.*
- *There is no obvious vulnerability I can see so far as Mr and Mrs S are concerned, over and above the usual situation of consumers struggling with an insurance claim.*

*I have also considered Mr and Mrs S's point that they did not realise that in signing the agreement they would not be able to continue providing evidence in the hope they received further payments on their claim, i.e. that they signed due to a misrepresentation by HDI Global that they could do so and still receive more in settlement of their claim if they provided further evidence (point (i) above). But I do not accept this sort of misrepresentation caused them to sign the agreement. I say this because I think the agreement was very clear that it was in full and final settlement of their claim and complaint. So, if they didn't think this was the case, I cannot really see why Mr and Mrs S would have signed it, as opposed to asking for it to be amended or seeking legal advice on it. Especially, considering the amount involved.*

*I have also considered the FCA rules and the relevant ones are as follows:*

*The Insurance Conduct of Business Source Book (ICOBS) section 8(1) which requires HDI Global to do the following:*

- 1. handle claims promptly and fairly;*
- 2. provide reasonable guidance to help a policyholder make a claim and appropriate information on its progress;*
- 3. not unreasonably reject a claim (including by terminating or avoiding a policy); and*
- 4. settle claims promptly once settlement terms are agreed.*

*I appreciate Mr and Mrs S do not think that HDI Global has handled their claim fairly or settled it promptly. But I do not think that HDI Global offering settlement under a legally binding agreement, which it is now seeking to rely on, means that it breached these particular rules.*

*There are also general Principles which HDI Global have to follow which means it must act to deliver good outcomes for its retail customers, such as Mr and Mrs S. In other words, it must treat them fairly, acting with integrity, skill care and diligence. And, again, while I appreciate Mr and Mrs S do not think HDI Global has acted in these ways, I am not persuaded that in offering settlement subject to a legally binding agreement it breached these rules.*

*I have also noted Mr and Mrs S detailed comments on why the settlement proposal put forward by HDI Global was wrong and their concerns about it. However, I do not believe they were forced to accept it if they thought it was inadequate and they needed further time to gather the evidence they needed to prove this. Mr and Mrs S could have refused the settlement offer and followed the process to refer their complaint to us. Instead, they signed a legally binding agreement which I think they ought to have realised would mean they had no prospect of receiving any further sums in settlement of their claim.*

*Mr and Mrs S have also suggested HDI Global had not properly considered representations and evidence they had provided. But, if this was the case, then I cannot really see why they accepted an offer in full and final settlement which they knew was based on incorrect information and estimates.*

*Mr and Mrs S have also suggested that HDI Global ignored consequential losses flowing*

*from its poor handling of their claim. But, if this was the case, they did not need to accept the offer that HDI Global had put forward and they could have continued to argue and provide evidence that consequential losses needed to be added to the settlement amount due or properly considered.*

*Mr and Mrs S have also mentioned costs they've incurred that have not been reimbursed, but these would have been considered by HDI Global to be covered by the settlement it offered, which Mr and Mrs S accepted. And Mr and Mrs S were not obliged to accept the offer if they didn't think it covered these costs.*

*It will be clear from what I have said that overall I am satisfied that Mr and Mrs S should be bound by the legally binding agreement they signed with HDI Global in full and final settlement of their claim and dispute (complaint) with it. This is because I do not think it can be set aside in law. And I do not think it would produce a fair and reasonable outcome for me to require HDI Global to set aside this agreement and consider making a further payment on Mr and Mrs S claim when they signed it, knowing that in doing so, it was legally binding and having been given the option of seeking legal advice.*

*I understand Mr and Mrs S will be very disappointed with my view on their complaint and I do not doubt that the damage to their property and the ensuing claim has been hugely stressful for them and their family. But, I have to take into account the law around contracts and legally binding agreements like the one they signed. I can't simply ignore this. And, as I have already explained, I am satisfied Mr and Mrs S are legally bound by the agreement they signed. And I do not consider there are good enough reasons for me to decide it is fair and reasonable to override the legal position and say that HDI Global isn't entitled to rely on the agreement.*

### **My provisional decision**

*For the reasons set out above, I've provisionally decided not to uphold Mr and Mrs S's complaint about HDI Global.*

I gave both parties until 11 February 2026 to provide further comments and evidence in response to my provisional decision.

HDI Global has said it does not have any further comments or evidence to provide.

Mr and Mrs S do not accept my provisional decision and have provided the further comments and evidence, which I have set out below. What I have set out is essentially their executive summary of the document they've sent in response to my provisional decision. But they should be aware that I have read, noted and understood their full submissions.

They do not dispute that the agreement they signed is clearly drafted and that it may be legally binding. However, they consider the decisive issue is not its legal enforceability, but whether it is fair and reasonable for HDI Global to be able to rely on an agreement to extinguish its rights in the circumstances in which it was presented, explained and accepted.

Mr and Mrs S argue that the situation they were placed in was exceptional because HDI Global repeatedly confirmed in writing that:

- Policy cover had not been affirmed;
- Alleged misrepresentation and under insurance issues were still under investigation.
- It reserved the rights to cancel the policy, refuse the claim, or apply statutory remedies under the Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA).

- Further investigations and evidential demands might materially alter its position.

Mr and Mrs S have also argued that at the time they were being asked to sign the agreement HDI Global continued to request further evidence, expert access and co-operation and warned adverse inferences could be drawn if such evidence was not provided. They consider that – in light of this – they understood the offer contained in the agreement they signed to be a commercial resolution with an ongoing evidential process, not a substantive conclusion of all outstanding matters.

HDI Global expressly described its offer as a commercial alternative to making a firm determination on policy cover, rather than as the outcome of a concluded claims process. Later in the process HDI Global also relied on further expert input to raise underinsurance, which materially affected Mr and Mrs S's decision making.

Mr and Mrs S consider the settlement offer and agreement was used as a substitute for HDI Global fulfilling its obligations and to transfer unresolved regulatory and coverage risk entirely on to them. And they think this caused a significant imbalance. And while it may not have amounted to duress in the strict legal sense, it did constitute a coercive situation in which informed and balanced consent on their part was not realistically possible.

Mr and Mrs S have noted that I am not confined to following strict contract law. And say that I should conclude that it would not be fair and reasonable for HDI Global to rely on the legally binding agreement they signed when it retained unilateral control over what they would pay on their claim and how its position on it might change.

Mr and Mrs S would like the agreement they signed set aside, so their complaint and claim can be considered on the merits of the unresolved coverage and evidential issues that were still outstanding when they signed the agreement.

### **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.

Having done so, my view on the fair and reasonable outcome of it remains the same as set out in my provisional decision. I'll explain why.

I have noted that Mr and Mrs S consider it was unfair for them to be put under pressure to accept the settlement offer when policy cover had not been confirmed and alleged misrepresentation and underinsurance issues had not been resolved. And I think essentially their point here is they were placed under illegitimate pressure to sign the agreement, as opposed to the pressures of normal commercial bargaining. However, I do not consider Mr and Mrs S were put under illegitimate pressure. I think HDI Global were simply making them aware of the potential risks of them not accepting its settlement offer. As I said in my provisional decision, I think it was possible for Mr and Mrs S to work out whether they were underinsured and – if they felt they were – what the consequences of this could be. And I think HDI Global made it clear to them that it would be very likely to reduce the settlement amount due on their claim due to underinsurance if they didn't accept its settlement offer. And I consider it was appropriate for HDI Global to warn Mr and Mrs S that this was a possibility, so they could consider what to do about the offer in light of this.

I consider HDI Global's representative made it absolutely clear in its emails in the period between when it made the offer and when Mr and Mrs S accepted it that HDI Global were making the offer to try and resolve the claim without the need to consider these issues. And

this is why it referred to it as a commercial offer. And I am satisfied HDI Global made it clear that it would bring the claim to a final conclusion.

It seems that one of Mr and Mrs S's key points is that they saw HDI Global's reference to the offer as a commercial mechanism to mean that it was a sort of provisional offer. But I do not agree that the offer was in any way characterised as being provisional. It is relatively common for an offer to be made on a commercial basis in an attempt to resolve a dispute. And this does not mean it isn't legally binding.

I do not think the fact that HDI Global continued to request further evidence in support of the claim is fundamentally incompatible with a genuine offer in full and final settlement of Mr and Mrs S's claim. I consider it was reasonable for HDI Global to continue to gather information it thought would be necessary for it to have if the settlement offer wasn't accepted until the settlement agreement had been signed by both parties. As I see it this was reasonable because HDI Global would have wanted to avoid further delay in the event Mr and Mrs S didn't accept the settlement offer.

Mr and Mrs S appear to be arguing that they were entitled to think they could sign a legally binding agreement accepting an offer of what was in effect £470,000 in full and final settlement of their claim. And then come back at a later date with more evidence seeking a further sum from HDI Global. If this had been the case it would have been a very odd approach by HDI Global, because it would have meant it received no benefit from Mr and Mrs S signing the agreement. And I consider it is also inconsistent with the correspondence it sent, which I think made it sufficiently clear that Mr and Mrs S could choose whether or not to accept the offer without the right to receive any more funds in settlement of their whole claim or refuse it and let the claim process continue.

I think it is of note that Mr and Mrs S made what I think can be described as a counter-offer seeking around an additional £98,000 on 23 August 2024 before signing the agreement, as this suggests to me that they realised if they accepted the offer HDI Global had made of £370,000 (£470,000 in total) it was to resolve all outstanding matters and that they would not be entitled to receive anything more than this.

I appreciate that at the point Mr and Mrs S signed the agreement HDI Global retained exclusive control over all critical determinations affecting their position. And that they may not have been able to commission independent experts themselves before the time to accept HDI Global's offer had expired. But I am satisfied that Mr and Mrs S knew they had the option to take legal advice before accepting the settlement offer and had sufficient time to do this. Yet they decided against doing so. They could also have rejected the offer and then continued to liaise with HDI Global and provide expert evidence. But they chose not to do so and instead accepted a legally binding offer.

I do not accept Mr and Mrs S's argument that the terms of the agreement were not sufficiently clear on the fact that if they accepted it no further evidence in relation to their claim would be considered by HDI Global. Or that it was unclear on the fact that unresolved heads of claim and consequential issues would be permanently extinguished. Or that it was also unclear on the fact that HDI Global would rely on the agreement notwithstanding the fact it had not completed its own consideration of and investigation into Mr and Mrs S's claim. I consider the legally binding agreement Mr and Mrs S signed was absolutely clear on the fact it was in full and final settlement of their claim and that it would bring it to a conclusion. And, as I've already explained, I do not consider anything HDI Global did or said could reasonably be said to have given the impression this was not the case.

I do not consider that HDI Global used the settlement agreement as a way of transferring or avoiding its regulatory obligations. And I do not agree its actions in offering it represented

coercive behaviour or created an imbalance of the rights of the parties involved. Of course, as the insurer HDI Global retained its right to consider the claim further and control what it would pay on it if Mr and Mrs S didn't sign the agreement, but I consider this was understandable, as it needed to protect its position regarding settlement if Mr and Mrs S didn't accept its offer.

It should be clear from what I've said that I consider the agreement Mr and Mrs S signed is legally binding in law, as I do not think they signed it under duress. And that they should be bound by it for this reason. And, for the reasons set out above, I am not persuaded that it would produce a fair and reasonable outcome to this complaint not to allow HDI Global to rely on the agreement.

As I see it, when Mr and Mrs S signed the agreement in settlement of their claim they should have realised that doing so would bring an end to it and there was no way they could receive any more in settlement of it or for any consequential losses flowing from it. They were of course free to refuse HDI Global's offer and not to sign the agreement and continue to pursue their claim. And, if they were not happy with HDI Global's approach to the claim and what it was offering them, they could then have brought a complaint to this service about it. But the fact is they signed it and I consider it that they should be bound by it and are not entitled to anything further in settlement of their claim.

### **My final decision**

For the reasons set out above and in my provisional decision, I've decided not to uphold Mr and Mrs S's complaint about HDI Global Speciality SE.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mrs S to accept or reject my decision before 9 March 2026.

Robert Short  
**Ombudsman**