

The complaint

Mr R complains Red Sands Insurance Company (Europe) Limited is settling a claim against his home insurance policy on a proportional basis.

Mr R is professionally represented, but for ease of reading, I will refer to Mr R throughout this decision.

What happened

The details of this complaint are well-known to both parties, so I won't repeat them here. Instead, I will focus on the reasons for my decision.

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 R had a home insurance policy with Red Sands. In September 2023 there was a fire at his home, so he made a claim against the policy. Red Sands ultimately accepted the claim but would only settle it on a proportional basis. Mr R complains this was unfair and while he's dissatisfied with Red Sands' handling of the claim for other reasons, I've been asked to only consider the proportional settlement.

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.

Red Sands says Mr R failed to take reasonable care not to make a misrepresentation when he took out the policy through a price comparison website in late 2022. I will consider each alleged misrepresentation in turn. For those not materially in dispute, I will be brief.

Claim history

Mr R was asked how many home insurance claims he'd had in the previous five years. He said he'd had a storm damage claim in September 2020 for £14,000. Red Sands found there had been a second storm damage claim in 2022, which was later settled for about £15,000. Red Sands says Mr R failed to take reasonable care not to make a misrepresentation by not

declaring both claims. I find that's a fair and reasonable conclusion as Mr R would have known how many claims he'd had.

Number of bedrooms/bathrooms

Mr R was asked about the rooms in his home. He declared he has six bedrooms, three bathrooms, four reception rooms and five other rooms. While the total number of rooms was found to be correct, Mr R has five bedrooms and four bathrooms. Red Sands says Mr R failed to take reasonable care not to make a misrepresentation by not declaring the correct number of bedrooms and bathrooms. I find that's a fair and reasonable conclusion as Mr R would have known how many of each he had.

Outside buildings

Mr R was asked if he had any outbuildings. He selected 'some', which opened up a dropdown for him to detail his outbuildings. He said he has one outbuilding used as a workshop constructed with a timber frame, brick walls and an asphalt roof which would cost £1,000 to replace. Red Sands says Mr R failed to take reasonable care not to make a misrepresentation because he has three outbuildings, which would have cost £122,000 to replace. Mr R disputes he has three outbuildings and they would cost £122,000 to replace.

I find Red Sands' conclusion - that a reasonable consumer taking reasonable care not to make a misrepresentation would have declared three outbuildings - to be fair and reasonable. I say this because, based on the evidence available to me, including the photos Mr R has provided, they're substantial buildings with concrete floors and electricity. One is a converted stables with double glazing, one is a workshop which also houses a tractor, and another is a workshop/storage building. It follows I'm satisfied Red Sands' conclusion that Mr R failed to take reasonable care not to make a misrepresentation by not declaring he had three outbuildings is fair and reasonable as he would have known what outbuildings he had.

Red Sands has said it would cost £122,000 to replace the three outbuildings. Mr R disputes this, describing how the build method and materials are inexpensive. He has also provided comments from a surveyor who says Red Sands' figure is very high. But the surveyor doesn't provide a figure of her own and instead offers to provide a quote for £2,000+VAT and travel expenses, which suggests to me the cost to replace the outbuildings will be significantly more than Mr R declared.

I've seen comments from Red Sands' loss adjuster, who visited the outbuildings. They provided calculations they say are based on local contractor pricing using the dimensions and build materials. The estimate is £116,000. Mr R suggests I should make a finding on what estimate is fair. But that's not my role. My role is to weigh up the evidence and arguments presented by both parties to decide if Red Sands has acted fairly.

Red Sands' estimate is from a suitably qualified professional, who visited the property, and who's provided some methodology. I'm more persuaded that estimate is what a reasonable consumer would have declared had they taken reasonable care not to make a misrepresentation, compared to Mr R's declared £1,000, and in the absence of a specific, evidenced alternative.

I understand Mr R may want to challenge the outbuildings position further and has asked for a breakdown of Red Sands' calculations. I will include the details below for Mr R's convenience. But as the Investigator explained, Mr R will need to present any further evidence or arguments to Red Sands in the first instance.

- Outbuilding 1: (6m x 4.1m) timber built with corrugated roof sheets and concrete base:

- £23,000
- Outbuilding 2: (6m x 3.1m) timber built with corrugated roof sheets and concrete base: £17,000
- Stables: (5.9m x 3.4m) and (8.7m x 3.4m) timber built with corrugated roof sheets and concrete base: £76,000.

Red Sands has explained there was a minor change to the £122,000 figure when the calculations were revisited as part of this complaint. An error was discovered in the calculations over how the triple garage had been accounted for. I can see from a comparison between the original and revised calculations this is the case. The result was a decrease in the rebuild cost for outbuildings by £6,000 and an increase in the overall value at risk by £60,000. I'll return to this later in my decision.

The rebuild value

Mr R was asked how much it would cost to rebuild his home. A screenshot from the sales journey shows this is set out clearly and there's some relevant information to assist. Red Sands has said Mr R input £999,999, which he hasn't disputed. Red Sands says Mr R failed to take reasonable care in answering the question because he would have known this wasn't a reasonable estimate.

I find Red Sands' conclusion to be fair and reasonable because I don't think it's more likely than not Mr R thought £999,999 was a fair estimate. I say this because:

- Mr R hasn't said why he chose this estimate and therefore hasn't shown he took reasonable care;
- Red Sands has shown (and Mr R hasn't disputed in a material way) a fair estimate would be over £1.5 million, meaning Mr R's estimate wasn't close;
- The price comparison website doesn't allow quotes beyond a maximum of £999,999, which suggests Mr R chose the maximum; and
- I understand Mr R had a previous policy with a different insurer, with a sum insured of £1.5 million. Mr R says this might have been standard rather than what he chose, but he hasn't shown this to be the case.

Mr R says the change in rebuild value wasn't a factor in Red Sands' recalculation of the premium. From what I've seen, I think he's correct. I say this because Red Sands has said on more than one occasion the recalculation was based on (1) an additional storm claim, (2) the change in bedrooms/bathrooms, and (3) the increase in the number/rebuild cost of outbuildings. So I make no further finding on this point, although I note the exclusion from the premium recalculation is likely because Red Sands wouldn't have offered cover (as it later didn't offer cover at renewal) had Mr R provided a reasonable estimate of the rebuild cost because of cover limits, which could have led to policy voidance (and claim decline).

The remedy available to Red Sands

As Mr R failed to take reasonable care not to make a misrepresentation, I've considered the remedies available to Red Sands. Red Sands has shown it would have offered cover on different terms (at a higher premium), so it's a qualifying misrepresentation. Red Sands has said the qualifying misrepresentation was careless rather than deliberate or reckless. As that's to Mr R's benefit, I see no compelling reason to interfere with that. So, the remedy available to Red Sands is to proportionally settle the claim based on the premium it would have charged, but for Mr R's careless qualifying misrepresentation.

Red Sands has explained to work out what Mr R's premium should have been, it recalculated the premium using the relevant pricing algorithm from the date the policy was

taken out. This is complicated and completed by software, so it can't present the figures in full. But it has provided evidence of updated rating payloads which show the changes and the impact. The output is a premium of £1,564.88. Mr R paid £876.08. So he paid about 56% of the premium. It follows it's fair, reasonable and in line with CIDRA for Red Sands to pay 56% of the claim.

Mr R's core dispute is with the £122,000 for the outbuildings. As I've already set out, that figure is now known to be incorrect. Mr R can ask Red Sands to recalculate based on £116,000. He can also further dispute Red Sands' outbuildings rebuild estimate should he choose to do so, as set out above. Mr R might be interested to know Red Sands has said, leaving aside the careless qualifying misrepresentation for outbuildings, the premium would have been £1,350, reflecting a proportion of 65%.

My final decision

While I sympathise with the difficult position the claim has placed Mr R and his family in, I must approach this complaint objectively, and having done so, I don't uphold it.

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

James Langford
Ombudsman