

complaint

Mr and Mrs C have complained about the decision of UK General Insurance (Ireland) Limited ('UKGI') to cancel their home insurance policy from the start.

background

Mr and Mrs C took out the policy in 2013. In 2014, they made a claim for subsidence. When investigating the claim, UKGI concluded that when applying for the policy, Mr and Mrs C had failed to tell it about the correct number of bedrooms at their home, or about the presence of cracking. For these reasons, UKGI avoided (that is, cancelled from the start) the policy.

Mr C felt that he had answered the application questions honestly. He also said that he was willing to withdraw the subsidence claim after it was found that its cause was a collapsed drain at his neighbour's property. UKGI was not willing to alter its stance, and Mr and Mrs C referred a complaint to this service.

Our adjudicator upheld this complaint. He concluded that Mr and Mrs C had taken reasonable care when answering the application questions about the number of bedrooms and cracking. He proposed that UKGI remove records of the avoidance, and pay compensation for any additional premium costs Mr and Mrs C incurred when disclosing it. He also recommended it pay £250 for upset caused by the avoidance, £50 for inconvenience caused by failing to respond to a complaint letter, and £50 for inconvenience its handling of a subject access request (SAR) made under the Data Protection Act caused.

UKGI agreed to pay £50 for delays dealing with the complaint. However, it considered that Mr and Mrs C were aware of cracking after some windows were replaced in 2010. It also stated that Mr and Mrs C would have seen two mortgage valuations noting the property as having six bedrooms, but they told it that it only had five. If it had known about either of these, UKGI said that it would not have offered cover.

UKGI suggested that any increased premium costs Mr and Mrs C had experienced were more likely due to cracking and subsidence than the avoidance. UKGI also said that it had handled the SAR correctly.

my findings

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

The application statement that Mr and Mrs C responded "*I agree*" to was that their home "*does NOT show signs of cracking in external walls*". UKGI has highlighted a statement that Mr and Mrs C gave its loss adjuster when making their claim. This explained that when windows were replaced in 2010, cracking became apparent in plaster coving in the front living room.

UKGI says that it had asked about *any* cracks; that is not the case. It only asked about cracking in external walls. The cracking noted here is in the coving. In addition, Mr C has said that it is on an internal wall. On balance, my view is that Mr and Mrs C took reasonable care when responding to the statement about cracking, and so it would not be fair to avoid the policy for this reason.

At application, Mr and Mrs C were also asked how many bedrooms their home has. They said five, but UKGI says this should have been six. The extra 'bedroom' in question has been described by Mr C as "*a small study on the attic floor...too small to be a practical bedroom.*"

The duty on a consumer is to answer questions to the best of their knowledge and belief. I acknowledge UKGI's comment that two valuation reports noted the home has six bedrooms. However, Mr C says that neither he, nor the previous homeowner, has used the room in dispute as a bedroom. From the evidence provided, my view is that Mr and Mrs C did answer the question honestly, based on their belief about the number of bedrooms in their home. In the circumstances, it would not be reasonable for UKGI to avoid the policy for this reason.

UKGI has questioned whether disclosing the voidance has caused Mr and Mrs C any additional premium cost. It seems likely to me that it would. If it is established that this is the case, UKGI should cover this additional cost, because its unreasonable actions caused this. It should also ensure any records made of the voidance are removed.

UKGI's actions caused Mr and Mrs C unnecessary upset, and I consider that the adjudicator's proposal of £250 compensation to reflect this is fair. UKGI has agreed to pay £50 due to delays dealing with the complaint.

In terms of the SAR, UKGI did not provide Mr and Mrs C with the loss adjuster's report, stating that it was not obliged to do so because it was held by a separately licensed data controller. But my understanding is that UKGI did also hold this information about Mr and Mrs C. In the circumstances, I consider that UKGI did not handle Mr and Mrs C's request for information reasonably, so that they could better understand why it had decided to avoid the policy. I think it would be fair to award £50 compensation for the trouble this caused them.

my final decision

My final decision is that I uphold this complaint, and require UK General Insurance (Ireland) Limited to carry out the following actions:-

- Remove all records of the policy voidance from internal or external databases;
- Write to Mr and Mrs C's new insurer to confirm that the voidance was made in error;
- If the new insurer does not refund any additional premium cost related to the disclosure of the voidance, UKGI must refund this to Mr and Mrs C. To each additional payment should be added simple interest at 8% per year (less tax if properly deductible) from the premium paid date to the date of settlement;
- Pay Mr and Mrs C £350 compensation to reflect unnecessary trouble and upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs C to accept or reject my decision before 15 February 2016.

John Swain

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