

The complaint

Mr W complains about Lloyds Bank General Insurance Limited (Lloyds) declining to offer a quote for home insurance on his property.

Any reference to Lloyds in this decision includes their agents.

This decision covers Mr W's complaint about Lloyds declining to provide a quote for home insurance on his property. It doesn't cover the increase in premium on his previous home insurance policy with Lloyds when the policy came up for renewal in summer 2022, which Mr W cancelled due to the increase.

What happened

Mr W had a home insurance policy with Lloyds for four years. In summer 2022 he received a renewal invitation, in which his premium more than doubled. He contacted Lloyds and was told they considered his property to be a flood risk – and had he been a new customer they wouldn't have offered to cover the property. Unhappy at the increase in premium, he took out cover with another insurer, who didn't consider his property to be a flood risk.

Mr W subsequently accessed Lloyds' website to obtain a quote for home insurance and it confirmed his property was deemed a flood risk and wouldn't provide a quote. However, when he requested quotes for the adjoining properties in his terrace, they didn't indicate the properties were a flood risk and he could obtain a quote. He also checked a government website and found his property was designated as being in flood zone 1. He didn't understand how his property could be designated a flood risk as it was some distance from any river or lake and the position of his property on a slight incline meant heavy rain ran down from his property.

Mr W contacted Lloyds to ask why there appeared to be a discrepancy in the treatment of his property compared with the adjoining properties. But they restated their position his property was considered a flood risk. Mr W then complained to Lloyds.

Lloyds didn't uphold the complaint. In their final response they said they'd raised Mr W's concerns with their underwriters. They said Mr W's address was checked and their decline of cover due to flood was correct, so they couldn't provide a quote. They considered three types of flood risk: coastal flooding; river flooding and surface water flooding. Even if a property wasn't near any bodies of water, it could still be at risk of surface water flooding. As Mr W had previously had a policy with Lloyds and had cancelled the policy due to the cost, their underwriters had suggested that due to potential flooding, the reason they couldn't provide cover was the cost they would need to charge to cover the property would be more than their maximum price limit.

Mr W then complained to this Service. He said it was unfair to deem his property a flood risk and not the adjoining properties and he hadn't been given an explanation for this by Lloyds. He was concerned his property being considered a flood risk would be picked up by other insurers and it might affect any future sale of his property. He wanted a full explanation from

Lloyds as to why they considered his property to be a flood risk, but not the adjoining properties. He also wanted them to remove the risk rating of his property as a flood risk.

Our investigator didn't uphold the complaint, concluding Lloyds hadn't acted unfairly in declining to provide a quote for a new policy. Lloyds had provided evidence to show Mr W's property fell outside their risk appetite for flood, in line with their underwriting criteria. While it wouldn't be appropriate to comment on what quotes might have been provided for other, neighbouring properties, the investigator thought each property would have a different combination of details and so insurers would rate them differently overall.

Mr W disagreed with the investigator's view and asked that an ombudsman review the complaint. He didn't accept that his property could be considered a flood risk when adjoining properties in the terrace were not.

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.

My role here is to decide whether Lloyds have acted fairly towards Mr W.

The key issue in Mr W's complaint is why Lloyds deem his property to be a flood risk and won't provide cover. Mr W says his property isn't considered to be a flood risk on the government flood risk website, and adjoining properties in his terrace are able to obtain quotes for cover. He wants an explanation why this is the case.

Looking at the evidence and information available and having checked the government website¹ for the postcode of Mr W's property, the results indicate a low risk of surface water flooding and a very low risk of flooding from rivers and the sea. However, this isn't specific to an individual property (inputting the adjoining properties gives the same results).

In addition to their final response, Lloyds provided further information during our investigation of the complaint. While the detail of the information is commercially confidential, they said Mr W's property had a flood claim in 2016, arising from torrential rain in the locality. Because of the claim, Lloyds subsequently updated their risk assessment and moved the property into a higher band. Cover for the property wasn't declined at the next renewal due to Lloyds' risk appetite differing between renewal and new business – though it did affect the renewal premium offered in 2022. While it would be for Lloyds to assess the impact of the claim, a claim is likely to significantly affect the assessment of risk to Mr W's property.

Lloyds say they won't provide a quote as new business as their underwriting and risk criteria would price the policy above their maximum risk price. I've also seen their flood risk criteria indicating Mr W's property sits in a higher band than Lloyds allows for new business.

Ultimately, it's for insurers to make commercial decisions on the level of risk, including that for flood, they are willing to accept in offering policies and the terms under which they are willing to offer those policies – if at all. It isn't the role of this Service to tell an insurer how they should assess risk or the price they offer to cover that risk.

And while it isn't within the remit of this complaint to consider the relative risk of other properties, given the evidence and information available I can't conclude Lloyds have acted unfairly or unreasonably towards Mr W in declining to offer cover for his property, or have treated him any differently from any other consumer in the same circumstances.

¹ 'check-long-term-flood-risk.service.gov.uk'

Given the dates involved in this case and Mr W's complaint, A further aspect I've considered is the recently introduced Consumer Duty (the Duty). The Duty applies to open products and services where the event date was on or after 31 July 2023. Under the Duty, firms should act to deliver good outcomes for customers (the Consumer Principle). They should act in good faith, avoid foreseeable harm, and enable and support retail customers to pursue their financial objectives (the Cross-cutting Rules). In addition, there are four outcomes where the Duty can be assessed (products and services; price and value; consumer understanding; and consumer support).

I've considered the requirements of the Duty in the circumstances of this case, and I've concluded Lloyds haven't breached the requirements. They've applied their risk assessment and underwriting criteria fairly in declining to provide a quote for Mr W's property and explained this to Mr W in their final response.

Taking all these points together, I've concluded that Lloyds acted fairly and reasonably towards Mr W in declining to provide a quote for home insurance on his property.

My final decision

For the reasons set out above, my final decision is that I don't uphold Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 12 June 2024.

Paul King
Ombudsman