

## The complaint

Mrs J complains that QIC Europe Ltd declined to settle her claim and avoided her home insurance policy. She says it has unfairly reported this, which has detrimentally affected her ability to obtain insurance subsequently.

## What happened

On 17 February 2020, Mrs J took out a new home insurance policy. This policy was taken out with a broker that I'll refer to here as "P". But it's underwritten by QIC Europe Ltd (QIC). The policy commenced on 11 March 2020.

Prior to the policy being inceptioned, Mrs J was asked to answer several questions online – one of which was *"is £10,000 enough to replace all your valuable contents items (each worth £2,000 or less) inside your home"*? She answered "Yes" to this question. She was also asked whether she had any valuables or personal items that were individually worth over £2000. Mrs J answered this question "No".

Mrs J's policy renewed on 11 March 2021 and, again, on 11 March 2022. Prior to renewal Mrs J was asked to check whether the renewal information, which was based on the information provided in February 2020, remained correct. Mrs J didn't make any changes to her policy relating to the value of her personal property.

In February 2023, Mrs J discovered that she'd been burgled. The burglars ransacked her home and stole a large number of items of jewellery and cash. Mrs J notified P of what had happened and reported the offence to the police who investigated the incident and provided her with a crime reference number.

Mrs J said P asked her to provide photographic evidence or receipts relating to the items stolen in the burglary. After providing the requested information about the stolen items, Mrs J said she had a long telephone conversation with a jeweller, which I'll call "L". It gave her a comprehensive jewellery guide to assist in submitting an accurate description of each stolen item. Mrs J estimated that all items were valued below £10,000 and that no item exceeded £2,000 in value. But L disputed the value of the jewellery believing them to be worth almost £50,000 and valuing several items to be, individually, worth more than £2,000.

When QIC received L's valuation of the claim it wrote to Mrs J on 24 May 2023 explaining that it intended to avoid her insurance cover. It took this action on 31 May 2023 and Mrs J was informed that, as she'd misrepresented the value of her personal belongings, it was entitled to avoid her policy in accordance with its terms and conditions. QIC explained that it didn't provide cover to anyone with belongings of the value that Mrs J had tried to insure.

Mrs J complained to QIC about its decision not to settle her claim and to avoid her policy. She said she hadn't misled QIC about the value of her personal belongings and thought L had overvalued her stolen jewellery. She wanted QIC to pay her claim. And she said the punitive effect of it voiding her policy was unfair as she was still experiencing financial detriment when taking out policies with other insurers.

When QIC responded to Mrs J's complaint it didn't uphold it. It thought L's valuation was reliable. And it was satisfied Mrs J had carelessly misrepresented the value of her stolen jewellery. It went on to say that, had it known the correct value of Mrs J's jewellery, it wouldn't have offered her insurance. So, it thought it had acted fairly in avoiding the policy and declining to pay the claim. QIC also informed Mrs J it had a duty to record that it had avoided her policy so that other insurers were aware.

Being dissatisfied with QIC's response to her complaint, Mrs J referred it to our service. Our investigator looked into what had happened. But they didn't recommend upholding this complaint. They were persuaded Mrs J had made a careless misrepresentation and accepted that, had QIC known the true value of her jewellery, it wouldn't have offered cover. They said it was fair for QIC to decline to settle the claim, avoid the policy and record that information. But Mrs J disagreed and asked an ombudsman to review her complaint.

### **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.

I appreciate this has all been a very stressful situation for Mrs J. She suffered a burglary, which must have been a traumatic experience. She also had numerous items stolen, which were of considerable sentimental and financial value.

I'm sure Mrs J thought, at the start, the claim was all going to be sorted out with minimal fuss and that didn't happen here. She's informed our service of the impact this all had on her health and livelihood. I'm sorry to read about how she was affected by what happened.

However, while I have sympathy with Mrs J, our service is impartial. We don't take either side's instructions on how we investigate a complaint, and we don't regulate or punish businesses. My role here is to assess whether I think QIC made a mistake or treated Mrs J unfairly.

As I've mentioned in the background to this complaint, Mrs J believes L has overvalued her stolen jewellery. But I'm not persuaded that happened here. I say this because I've seen the descriptions provided by Mrs J of several items of jewellery and the value she has assigned to each piece. I've also taken into account the valuation and report from L and what this is based on.

Our service thinks it's right for an insurer to instruct a company with expertise to assist it in assessing the value of a claim. Here QIC appointed L to do that, and I can't fairly find it acted unfairly in doing so.

Having carefully considered what Mrs J and L say about the value of the stolen jewellery, it's clear both values have been based on different information. For example, there's a significant difference in a valuation relating to a pair of earrings, which Mrs J described as diamond and ruby. L has assessed the value of that item based on the description Mrs J provided. But the quote Mrs J submitted for the same item is based on gold plated earrings with cubic zirconia gemstones. So, it isn't like for like when compared to the item stolen and this provides a plausible explanation for why the valuations differ significantly.

There are several other items where the replacement items haven't been sourced on a like for like basis by Mrs J such as an item containing cultured pearls. L quoted for a replacement based on cultured pearls whilst Mrs J has provided an alternative valuation for an item featuring freshwater pearls. This again explains why there's a valuation difference.

Within the list of items submitted to L by Mrs J, there are at least 3 pieces of jewellery where L has assessed the value to exceed £2,000 per item – with one being valued at £20,000. This presents a substantial difference to the valuation Mrs J submitted in relation to this item.

In the overall circumstances, I'm persuaded L assessed Mrs J's stolen jewellery fairly based on the description she provided for each item. It gave her a comprehensive jewellery guide to assist in submitting an accurate description of each item. I'm satisfied that L's valuation of the stolen jewellery has been based on like for like replacements. Mrs J's valuation hasn't been based on this. And therefore, the value of the claim differs between the two parties.

I can see that, before QIC took its decision to avoid the policy, it wrote to Mrs J and afforded her 7 days in which to provide evidence to show that L had overvalued the stolen jewellery. I think this was a reasonable step for QIC to take here. It demonstrates that it was offering Mrs J the "last word" on the issue and recognised that avoiding a policy could affect her detrimentally when purchasing alternative cover. I understand that Mrs J didn't respond with any evidence to show that L had made an error with its assessment of the value of the claim.

In the overall circumstances, I'm sorry to disappoint Mrs J but, as I'm persuaded that L's valuation of the claim is reliable and accurate based on the information that she provided about the stolen items of jewellery, QIC were entitled to rely on that valuation in determining how to progress the claim.

As I set out in the background to this complaint, QIC declined to pay Mrs J's claim based on underinsurance. Due to misrepresentation, it decided to avoid the insurance policy from the date of its inception. When our service assesses complaints arising from non-disclosure of information important to an insurer, we consider the appropriate legislation including The Consumer Insurance (Disclosure and Misrepresentation) Act 2012 ('CIDRA').

CIDRA requires consumers to take reasonable care not to make a misrepresentation when taking out an insurance contract (a policy). The standard of care is that of a reasonable consumer.

CIDRA sets out several considerations for deciding whether the consumer failed to take reasonable care and, if they did, the options available to the insurer. The considerations include whether:

- the consumer took reasonable care not to make a misrepresentation.
- the information was important to the insurer and, if it had been given, would affect whether a policy was offered or its terms, known as a qualifying misrepresentation.

If the policyholder made a qualifying misrepresentation without taking reasonable care, then we consider whether they did so deliberately or recklessly, or carelessly.

I've addressed each of these considerations in turn.

*Did Mrs J take reasonable care not to make a misrepresentation?*

It's important when looking at this to decide if the insurer asked a clear question when the policy was taken out.

In this case, prior to Mrs J taking out her policy in 2020, she was asked "*is £10,000 enough to replace all your valuable contents items (each worth £2,000 or less) inside your home?*" She was also asked "*do you have any valuables or personal items worth over £2,000 each...*"

Mrs J hasn't disputed that these questions were asked and indeed it's not uncommon for an insurer to ask a potential customer about the value of their personal items within their home. Based on the available evidence, I'm satisfied these questions were asked. I think the questions asked were clear; there can be no misunderstanding of what the questions were asking. And I'm satisfied the questions placed the onus on Mrs J to take reasonable care in answering them not to make a misrepresentation.

After incepting the policy in 2020, Mrs J was provided with access to an online account. She was also sent a welcome pack confirming the information she'd given to QIC. She was asked to review her policy documents. I understand that no changes to the value of Mrs J's personal items were made.

I can see that each year Mrs J renewed her policy she was sent new documentation and asked to check the information was still correct so that she could satisfy herself that the cover matched her requirements. I'm satisfied she would have reasonably been aware that a renewal decision was based on information previously provided by Mrs J unless that had been updated.

Mrs J's policy stated:

*"We strongly advise you to review your policy each year to make sure you have suitable cover in place. The value of some of your personal belongings and valuables is likely to vary over time. We recommend that you review the valuation of any specific items regularly (at least every two years) and get professional advice if necessary. Please let us know if the value of any of these items changes, otherwise you may find yourself over insured or under insured".*

The policy clearly defines the meaning of "valuables". So, I'm persuaded Mrs J ought to have known that her jewellery would have been covered under this policy term.

I'm also satisfied Mrs J was encouraged to think about whether the valuation of her jewellery had changed prior to each policy renewal. I think she ought to have been reasonably aware that jewellery could increase in value over time. And I'm persuaded the policy wording made Mrs J aware of the importance of providing accurate and correct information and the potential consequences of not doing so.

Mrs J didn't contact QIC to change the valuation of her jewellery or the answers to the questions identified above. So, the policy renewed automatically on the basis that £10,000 was sufficient to cover all valuable contents items, each worth £2,000 or less and that Mrs J had no valuable items worth more than £2,000 individually.

I've already explained that the questions asked were clear; There are only two possible answers and, I don't think Mrs J took reasonable care in answering these questions.

*Did Mrs D make a qualifying misrepresentation?*

QIC has shared its acceptance criteria for offering cover. The criteria evidences that the value of Mrs J's jewellery, as assessed by L, falls outside its underwriting acceptance criteria. So, had it known the true value of Mrs J's stolen jewellery, it wouldn't have offered to insure her.

This all means that information about the value of the jewellery Mrs J wanted to insure was information which was important to QIC and would have changed whether the policy was offered. I'm therefore satisfied Mrs J's misrepresentation was a qualifying one.

*Was the misrepresentation deliberate, reckless or careless?*

QIC has treated Mrs J's misrepresentation as 'careless'. Based on the evidence available, I'm persuaded Mrs J was genuinely shocked to learn of the true value of her jewellery as assessed by L. I don't believe she deliberately chose to under insure the items that were stolen. And, as much of the stolen jewellery had been gifted to Mrs J, it's reasonable to say she might not necessarily have been aware of the value or brand.

In the overall circumstances, I think QIC's decision to treat Mrs J's misrepresentation as careless, rather than deliberate or reckless, is fair and reasonable. It reflects the fact that underinsurance here was due to a lack of awareness rather than a deliberate effort on Mrs J's part to gain an advantage.

As I'm satisfied Mrs J's misrepresentation should be treated as careless, I've looked at the actions QIC can take in accordance with CIDRA. In these circumstances, the law allows QIC to avoid the policy from the misrepresentation, when she incepted her policy, and not deal with any claims. It must then return any unused premiums the consumer paid.

Here, I understand that when QIC took the decision to avoid Mrs J's policy it decided to do so from 11 March 2022 onwards. So, it treated the policy as if it had never existed from the second renewal onwards – this was the policy period in which Mrs J was burgled and made a claim. It also returned the premiums she'd paid from 11 March 2022.

I'm sorry to disappoint Mrs J, but in the overall circumstances of this complaint, I'm satisfied QIC's decision to avoid her policy was reached reasonably and in line with CIDRA. I'm also persuaded that, in returning the premiums she had paid, QIC acted in line with CIDRA and as our service would expect.

I can see that Mrs J would like our service to tell QIC to remove information it's recorded that shows it avoided her policy. I realise that this information stays on Mrs J's record indefinitely – it's already impacted on her ability to obtain reasonably priced insurance elsewhere and will continue to do so in the future. But QIC is required to provide accurate information about policies that it's avoided so that other insurers are aware. It hasn't made an error in doing so. So, I can't ask it to remove this information it as it's a true reflection of what happened.

I know Mrs J will be disappointed with this decision. But I think that QIC has acted fairly and reasonably and I'm not going to be asking it to do anything more.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 17 January 2024.

Julie Mitchell  
**Ombudsman**