

The complaint

Mr and Mrs S are unhappy that Covea Insurance plc voided their policy and refused to pay their claim following the theft of jewellery from their home.

Mr and Mrs S had contents insurance with Covea in joint names. For ease of reading, I'll refer mainly to Mrs S throughout my decision.

What happened

In 2017 Mrs S bought contents insurance, underwritten by Covea, using an online comparison site. The policy automatically renewed each year.

A significant amount of jewellery was stolen from Mrs S's home during a burglary. She claimed under the policy and Covea arranged for a loss adjuster to visit and a jewellery valuation.

Covea said Mrs S was underinsured for the jewellery and it wouldn't have offered her a policy if she'd declared the full value. It considered this a careless qualifying misrepresentation which entitled it to refuse the claim and void the policy.

Mrs S brought her complaint to us, but our investigator didn't uphold it. Our investigator agreed with Covea that there'd been a qualifying misrepresentation, and with its classification of careless. Therefore, our investigator thought Covea was entitled to void the policy and decline the claim, and she agreed that all premiums should be returned to Mrs S.

Mrs S didn't agree and asked for an ombudsman's decision. She said she'd never been asked to value her jewellery, she didn't think Covea's valuation was correct, and she didn't think it was fair to interpret ambiguous policy terms in Covea's favour.

So the complaint was passed to me to decide.

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, I've decided not to uphold Mrs S's complaint. I'll explain why.

The relevant law in this case is The Consumer Insurance (Disclosure and Misrepresentation) 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.

Covea thinks Mrs S failed to take reasonable care not to make a misrepresentation when she didn't disclose the full value of her jewellery at each policy renewal.

I've looked at the statement of insurance to see what level of cover Mrs S asked for. She bought contents cover up to a maximum of £50,000 and unspecified high-risk items up to a maximum of £5,000. Jewellery is defined in the policy documents as a high-risk item.

In response to the question about whether Mrs S wanted to insure specified high-risk items, she included her gold jewellery up to £10,000. The policy renewed each year, but the evidence doesn't show that any changes were made to the level of cover.

Covea provided two professional valuations of the jewellery collection, both of which exceeded £50,000. Mrs S's list was based on other currencies but converted to significantly less than the professional valuations.

Given that the total contents cover was for less than the professional valuation of the jewellery, it's reasonable that Covea concluded Mrs S was underinsured. Even taking just Mrs S's list into consideration, the total exceeds the maximum high-risk cover, and the evidence confirms that there were further items which weren't stolen, valued at over £7,000.

Based on this evidence, I'm satisfied that Mrs S failed to take reasonable care not to make a misrepresentation when she took out cover for high-risk jewellery up to a value of £10,000.

So, I've thought about whether Mrs S's misrepresentation was a qualifying one – that is, would it have made any difference. I've looked at the criteria Covea's underwriters provided. I can see that if Mrs S had disclosed the full value of the high-risk items, Covea wouldn't have offered cover at all. The value of her jewellery exceeds Covea's maximum high-risk cover. I'm afraid I can't provide too much detail here because it is commercially sensitive information. However, I trust that Mrs S will be reassured that I've seen the details and I'm satisfied Covea wouldn't have offered cover at all.

That means, the misrepresentation was a qualifying one.

Covea classed the misrepresentation as a careless one. Treating it as careless is the most favourable outcome to Mrs S so I can't say that Covea treated her unfairly.

As I'm satisfied Mrs S's misrepresentation should be treated as careless, I've looked at the actions Covea can take in accordance with CIDRA. Covea is entitled to avoid the policy from the start, return any unused premiums, and treat the policy as if it never existed and not deal with claims. I can see that Covea avoided the policy, returned Mrs S's premiums from the date she first bought the policy, and refused to pay her claim. As Covea acted in accordance with CIDRA, I'm satisfied that the outcome was fair and reasonable.

Other matters

I've considered the additional points Mr and Mrs S made in respect of their complaint. They said decisions about a contract should be in favour of the party which didn't write it. In particular, Mrs S mentioned having up to date valuations of jewellery she couldn't possibly know would be stolen. If there is a lack of clarity, then I agree that might be a reasonable

way to address any disputed issues. So I've looked at what information was available to Mrs S in the documentation

The policy states:

Very important notice

The value of some of your personal possessions, particularly jewellery and other high risk property, is likely to fluctuate considerably. Individual articles, pairs or sets valued at or over £1,500 should be specified separately. You should review the value of these items regularly and insure each item for the full replacement cost; seek professional advice if necessary. If the value of any of these items changes, please let us know.

In the event of a claim, you will need to provide a professional valuation, receipt or proof of purchase predating the loss as proof of value and ownership. Your insurer may not meet your claim, or the amount of the claim may be reduced if you cannot provide such proof or if the items are not insured for their full replacement cost.

The policy renewal documents state:

It is important that the information you provide throughout the quote and duration of the policy is accurate. Failure to disclose correct and complete information to the best of your knowledge and belief may result in increased premiums, refusal of a claim or not being fully paid, your policy being cancelled or being made null & void and treated as if it never existed.

I understand that Mr S added to the jewellery collection over the years, and he didn't have receipts for every item. However, I'm satisfied that the terms of the policy were clear, including the level of cover, so I can't reasonably say that Covea interpreted the policy unfairly.

Mrs S commented that she thinks Covea believes the break-in was a staged act. For reassurance, I haven't noted anything in the loss adjuster notes to suggest there was any question about the validity of the circumstances of the claim.

My final decision

For the reasons I've given, my final decision is that I don't uphold Mr and Mrs S's complaint.

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 16 October 2023.

Debra Vaughan
Ombudsman