

The complaint

Mr and Mrs C complain about how U K Insurance Limited (UKI) avoided their home insurance policy and didn't deal with their claim.

We are also an invested party in this complaint. But for ease of reading, I'll be referring only to Mr and Mrs C as the complainants.

Reference to UKI includes its agents.

What happened

Mr and Mrs C held a home insurance policy with UKI. When their home was damaged by a fire, they made a claim for UKI for the damage.

UKI ultimately avoided Mr and Mrs C's policy. It said they'd failed to take reasonable care when answering the question they were asked about running a business from their home. UKI said that had it known Mr and Mrs C were operating a business from their home, it wouldn't have offered them cover.

It said this was a qualifying misrepresentation under the Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). And it said under CIDRA, it was entitled to avoid the policy – act like it never existed, and not deal with any claim made on the policy.

This case is somewhat complicated further because during UKI's investigations into the claim and the policy, Mr and Mrs C's house was repossessed by their mortgage provider. That Mortgage provider appointed Law of Property Act (LPA) receivers to manage the property. Those LPA receivers in turn appointed their own insurer to deal with the damage to the property.

Mr and Mrs C complain about two key things. The first being the avoidance of their property and the subsequent decision to not deal with their claim. The second being the communication surrounding the boarding up of the property. They say UKI told them they were boarding up the property and didn't do so adequately, leaving the property open to the elements and theft. They think UKI should have done a better job of securing the property, or told them they weren't doing so, so they could make other arrangements.

UKI maintained its decision to avoid the policy was fair. But it did offer £500 compensation for the communication around this decision. And it said once it avoided the policy, it ceased to be involved in the claim. It also said it stopped being involved once the LPA receiver's insurers got involved.

Mr and Mrs C didn't think this was fair, so they brought their complaint here.

One of our Investigators didn't recommend it be upheld. She thought the compensation offered was fair. She thought UKI had acted in line with CIDRA. And she thought UKI not getting involved further after the avoidance and the involvement of the LPA receiver's insurer was reasonable. She also said she'd not been provided any evidence to show that further

damage was caused by UKI's efforts to board up the property.

Mr and Mrs C didn't agree and asked for an Ombudsman's 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.

Having done so, I'm not upholding it, which I understand will come as a huge disappointment to Mr and Mrs C. I'll explain my reasoning.

- When they took the policy out, Mr and Mrs C were asked if they used the property for business use. They said they weren't, but this wasn't the case. I'm satisfied Mr and Mrs C failed to take reasonable care not to make a misrepresentation to UKI when they answered this question.
- UKI has shown that had it known the property had the business running from it, it wouldn't have offered cover. So, I'm satisfied Mr and Mrs C's failure to take reasonable care is a qualifying misrepresentation under CIDRA.
- UKI has treated this as a careless qualifying misrepresentation. Because that's the most favourable way it can be treated, I'm not interfering with that decision.
- Because UKI's underwriting criteria shows it wouldn't have offered Mr and Mrs C a policy had it known about their business, it's entitled to avoid the policy and not deal with any claims.
- UKI had already taken some action on this claim, such as removing asbestos, and placing Mr and Mrs C in alternative accommodation before it discovered the misrepresentation. But I'm satisfied once it knew about the business, it was entitled to not pay anything more on this claim.
- Turning to the boarding up of the property, I understand Mr and Mrs C's point here. What I've seen does indicate the last thing they were told by UKI was that they were going to board up the property. But I think it's reasonable UKI stopped any action on the claim once it avoided the policy. And the matter was complicated by the involvement of the LPA receiver's insurers. But I'm not persuaded that if Mr and Mrs C were told sooner they'd have been able to take further action due to the involvement of the LPA receivers.
- But, even if they were, like our investigator has explained, we've not been provided evidence to show what was further damaged by either UKI's boarding up of the property (or lack of). From the photos I've seen, the property was extensively damaged by the fire. I've not been provided with a list of items stolen, or items that were damaged by the boarding up of the property that wasn't damaged in the fire. So, I'm not persuaded Mr and Mrs C have shown UKI's actions (or inaction) has caused a loss.

My final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask W and Mr C and Mrs C to accept or reject my decision before 2 February 2024.

Joe Thornley
Ombudsman