

The complaint

Mrs A is unhappy her policy was voided due to a misrepresentation she made when she took out her home insurance policy with Accredited Insurance (Europe) Ltd (“AI”). AI wouldn’t consider her claim for theft of jewellery.

What happened

Mrs A’s home was broken in to and items were stolen, including a large amount of jewellery. AI appointed a loss adjuster to validate the claim and it subsequently had the list of stolen valuables reviewed by a specialist jeweller.

The jeweller identified the stolen jewellery was worth significantly more than the £10,000 Mrs A insured for. AI said had it known the true value of the jewellery Mrs A wanted insuring, it would’ve offered her cover. So, it voided her policy and didn’t consider her claim. As it didn’t think the underinsurance was deliberate, AI refunded the premiums Mrs A had paid.

Mrs A thinks this is unfair, she said she wasn’t given the opportunity to review her insurance details when her policy renewed. She said the price of gold has increased, so that’s part of the reason for the disparity in the details. She wants her claim paid in full up to her policy limits.

Our investigator decided not to uphold the complaint. She thought AI had investigated the claim thoroughly and had been fair to void the policy as Mrs A had misrepresented the value of the contents she wanted insuring. Mrs A disagreed, so the case has been referred to an ombudsman.

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.

AI voided the policy and didn’t consider the claim due to a misrepresentation made when the policy was taken out. So, I have considered the merits of this complaint from this perspective.

Firstly, Mrs A said she didn’t have opportunity to review her policy details when it automatically renewed. I’ve considered this. AI said Mrs A called its call centre to renew her policy. It said it had asked her to check her renewal details when the renewal invite was sent to her.

I have reviewed the document Mrs A was sent as part of her renewal by AI. I can see there is a “Q&A” document which includes the question *“is £10,000 enough to replace all of your valuable contents items (each worth £2,000 or less)”*. I can see in the document that Mrs A had answered “yes” to this question when originally taking out her policy. Therefore, I think it’s reasonable for AI to expect Mrs A to inform it if anything had changed that impacted this, when renewing her policy.

AI estimated that the value of the stolen jewellery was around £80,000. Mrs A said gold prices had increased. However, I don't think it's likely the gold price had increased by eight times in one year. I haven't seen any information by Mrs A to support this increase. Or, evidence to show AI's valuation is unreasonable. So, I think it's clear that Mrs A was significantly underinsured, so I think AI have been fair in considering misrepresentation.

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 must show it would've offered the policy on different terms or not at all if the consumer hadn't made the misrepresentation.

CIDRA sets out several 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.

So, I've considered Mrs A's circumstances in respect to CIDRA.

Was there a misrepresentation?

I think AI has been fair in saying there was a misrepresentation. The valuables were worth significantly more than Mrs A declared when taking out the insurance policy.

Did the consumer take reasonable care?

AI didn't think Mrs A did show reasonable care. The documentation sent to Mrs A is clear that it's Mrs A's responsibility to check her information is correct. AI shared Mrs A's previous responses for her to check. So, as Mrs A didn't check I think it has shown Mrs A didn't take reasonable care.

Did it make a difference to WIC?

AI has argued the misrepresentation was a qualifying one. It has shown that had it known the true value of Mrs A's valuables it wouldn't have covered her as it fell outside of its underwriting criteria. Therefore, I think AI has been fair here.

It is AI's commercial decision how much risk it wishes to take on when insuring individuals. This is set out in its underwriting criteria. As AI has applied these limits in Mrs A's case as it would do for any individual, I think it has followed a reasonable process.

Was the misrepresentation deliberate or reckless, or careless?

AI said the misrepresentation from Mrs A wasn't deliberate, but thought it was careless. I think this is fair in the circumstances.

What remedy is available to AI given there has been a claim?

As AI has shown it was a careless misrepresentation by Mrs A and it wouldn't have insured her had it known the true risk it was taking on, AI is entitled to void the policy from the start of the term. It doesn't need to consider any claims, but it needs to refund any premiums paid. As AI has done this, I think it has acted as I would've expected. Therefore, I don't think it has done anything wrong. So, I don't uphold this complaint.

My final decision

My final decision is that I don't uphold this complaint. I don't require Accredited Insurance (Europe) Ltd to do anymore.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 10 April 2024.

Pete Averill
Ombudsman