

The complaint

Mrs M and Mr S complain about the way Accredited Insurance (Europe) Ltd handled a claim they made under their home insurance policy.

Mrs M and Mr S are joint policy holders but, for ease, I'll refer solely to Mrs M in this decision as she was the main correspondent throughout these events.

What happened

Mrs M had a home insurance policy with Accredited. In September 2023 she contacted Accredited to make a claim. She said the ground floor of her property had flooded when the drains had overflowed following a thunderstorm. Accredited appointed contactors to attend the property a day later. They ripped up the carpet and removed it. They also provided a report to Accredited showing the damage that had been caused by the flooding. Mrs M was in contact with Accredited over the next few days, asking about various items and whether it would provide alternative accommodation while work was done to repair the damage.

Just over a week after Mrs M made her claim, Accredited told her it was going to cancel (avoid) her policy and decline her claim. It said when Mrs M bought the policy she said the roof on her property was tiled. But it now knew that wasn't right, as the roof was made of rubber. Had it known that it said it wouldn't have insured her property. So, it said it would cancel the policy from the date it had started, refund the premiums she'd paid over that period and treat the policy like it never existed.

Mrs M complained. She said there was a significant lack of customer support and communication throughout the claims process. She said that had she known there was a risk her claim wouldn't be accepted, she would have stopped the contractors ripping up her carpet and tried to save them, thus saving her about £2,000 in replacing them.

Accredited said the removal of Mrs M's carpet was part of the normal mitigation action its contractors take to stop further damage from occurring. It said the carpet was deemed beyond economical repair and needed to be removed in any event, regardless of whether the claim was accepted or declined.

Our investigator didn't uphold Mrs M's complaint. She thought Accredited was entitled to cancel the policy and reimburse the premiums she'd paid in light of the misrepresentation that had been made. And she didn't think Accredited needed to pay compensation for Mrs M's carpet as the evidence showed it was beyond economic repair and would need to be removed in any event.

As Mrs M didn't agree, her complaint has been passed to me to make a final 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.

Mrs M accepts she made a mistake when she set up her policy and her complaint is focused more on events other than Accredited's decision to cancel (or avoid) her policy. But, for completeness, I will start by considering whether or not it acted fairly in making that decision.

Misrepresentation

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

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.

Accredited thinks Mrs M failed to take reasonable care not to make a misrepresentation when she bought her policy. I've looked at the question Mrs M was asked when she bought her policy from Accredited. She was asked if the roof on her property was tiled, the walls were made of brick and the property was in a good state of repair. Mrs M selected the option agreeing to this statement. I think the question asked by Accredited through the price comparison site she used was sufficiently clear. So, I don't think she's taken reasonable care not to make a misrepresentation when she said the roof was tiled.

Had Mrs M selected the option to disagree with the above statement, she would then have been asked what material the roof was made from and given several options to choose from. Rubber was not one of the options given but Mrs M could have chosen 'other'. Accredited has said it wouldn't have insured Mrs M's property had it known her roof was made of rubber - or if Mrs M had selected 'other' when asked what material the roof was made from. It's shown us its underwriting criteria to confirm that and so I'm satisfied Mrs M's misrepresentation was a qualifying one.

Accredited hasn't said whether it classified the misrepresentation as deliberate or reckless, or careless. But its actions would indicate it's classed it as careless rather than deliberate or reckless, which I think is fair. As a careless misrepresentation, Accredited is entitled to avoid Mrs M's policy in accordance with CIDRA. And, as this means that - in effect - her policy never existed, Accredited doesn't have to deal with her claim following the flooding of her property. As CIDRA reflects our long established approach to misrepresentation cases, I think allowing Accredited to rely on it to avoid Mrs M's policy produces the fair and reasonable outcome to this part of her complaint.

Service provided by Accredited

As I've said, Mrs M's complaint is focused more on the actions of Accredited's contractors who went to her property shortly after she made her claim. They ripped up her carpet and removed it. Mrs M says that had Accredited done more to warn her the claim might not be accepted, she would have tried to restore the existing carpet rather than replacing it, thus saving her a significant amount of money. She thinks Accredited should contribute to the cost of that carpet.

Accredited has told us it would have made it clear to Mrs M when she made her claim that it

hadn't been validated yet and any actions its contractors were taking were being carried out on a without prejudice basis. Mrs M disputes that and is adamant she wasn't made aware of the position. So, what does the evidence say.

Accredited has provided a note of a call made to Mrs M on the day the contractors went to her property, as well as a recording of a call made the following day. Accredited said its satisfied Mrs M was clearly made aware of the position before the contractors called. But I don't think it's clear from that evidence exactly what was said before the contractors arrived.

But, even if Accredited failed to clearly notify Mrs M that the action being taken was on a without prejudice basis, would that have made any difference? Mrs M has said she would have been able to save some of the costs of replacing her carpet. She believes she could have dried it out and sanitised it herself. And she said she'd discussed that option with a carpet expert who she asked to look at the damaged carpet shortly before she made a claim to Accredited. But, unfortunately, Mrs M hasn't provided any evidence of that expert opinion. I have though seen the report prepared by Accredited's contractors, which clearly states the carpet was beyond economic repair due to the flooding of her property. And, on balance, I'm more persuaded by that evidence.

So, even had Accredited made it clear to Mrs M that her claim hadn't been approved before the contractors arrived, and even if she'd then decided not to allow the contractors to remove the carpet, I think it's more likely than not that she would still have needed a new carpet in any event.

In light of the above, and based on the evidence that is available, I think it was fair and reasonable for Accredited to avoid Mrs M's policy and decline her claim, and to refuse to compensate her for the damage to her carpet. So, I don't think Accredited needs to do anything more.

My final decision

For the reasons stated, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr S to accept or reject my decision before 30 September 2024.

Richard Walker
Ombudsman