

The complaint

O complains about the administration of its business interruption insurance claim by Society of Lloyd's.

What happened

O held a commercial insurance policy underwritten by Society of Lloyd's. For ease, whenever I refer to Society of Lloyd's or Lloyd's this will include anything done by the underwriters and its agents. Additionally, whilst much of O's correspondence involved a separate third party, I have just referred to O here for the sake of simplicity.

In March 2020, O made a claim on this policy as a result of the COVID-19 pandemic causing it to close its premises. Lloyd's advised O that it was experiencing some delays, but that a claims handler would be dealing with the case within 5 to 7 days. A claims handler then requested clarification on the information O had provided, and this was promptly given. O has said it was then repeatedly told it could expect a decision within the next day, but this did not materialise. Lloyd's then promised, on 16 April 2020, that a response would be forthcoming the following day, but when this was not received O complained.

Lloyd's agreed that it could have handled the claim better, and offered O £100 compensation for the time taken and lack of communication. O was unhappy at this offer and brought its complaint to this service. Our Investigator thought that £100 was not sufficient, and recommended Lloyd's increase the compensation to £200. Lloyd's disagreed and this complaint has been passed to me for a decision.

I should note at this point that O has raised a further complaint in relation to the outcome of its claim. But that will be dealt with separately and does not form part of my considerations here.

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 agree with the Investigator that an award of £200 is a better reflection of the inconvenience caused to O.

I do have some sympathy with Lloyd's. O's claim was made at a time when a high volume of claims were being made. And this would no doubt have stretched the resources of Lloyd's and its agents. I also note that, having instructed a third party claims handler, Lloyd's was reliant on that third party to an extent.

However, the use of this third party was a decision Lloyd's took. And ultimately it is Lloyd's that is responsible for providing an appropriate service to its customers – including O.

In this instance it is agreed that there were avoidable delays in terms of the claim handling and that there were issues with the communications provided to O. As such, the only real

consideration is what the appropriate level of compensation is in this situation.

O has suggested that compensation of £1,000 would be fair. I disagree with this. I note O has referred to the hours it spent in relation to this matter, but much of this would be a consequence of having to make the claim in the first place – and some inconvenience is doing so is unavoidable. I am also unable to award compensation for any distress that the directors of O may have experienced. The claimant and complainant in this situation is O – a limited company, and as such a legal entity in its own right. Whilst I do not doubt this would have been a stressful time for its directors, they as individuals are not the complainant in this matter. So, their own distress is not something I can take into account.

However, as a result of the issues with communication in particular, I do not consider £100 to be fair compensation for O. At a time of great uncertainty for many businesses generally, the avoidable issues with Lloyd's handling of the claim increased this. O had to chase for a response on multiple occasions and Lloyds, and its agent, did not do what they said they would. So, I consider that a higher level of compensation is warranted.

Putting things right

If it has not already done so, Society of Lloyd's should pay O £200 in total compensation for the issues experienced with the handling of its claim.

My final decision

My final decision is that I uphold this complaint. Society of Lloyd's should put things right in the manner set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask O to accept or reject my decision before 28 January 2022.

Sam Thomas
Ombudsman