

The complaint

Mr and Mrs R complain about Fairmead Insurance Limited's handling of a subsidence claim they made on a landlords insurance policy.

Where I refer to Fairmead within this decision, this includes agents and representatives acting on its behalf.

What happened

Mr and Mrs R insure a property they rent out with Fairmead. When the property was damaged by subsidence, they made a claim on the policy. Fairmead accepted that the claim was covered.

Mr and Mrs R are unhappy with the way that Fairmead has handled the claim. They say that there have been lengthy delays to the claim, that the proposed settlement of the claim is unreasonable and that Fairmead should pay for the loss of rental income from the property.

Fairmead accepted that the service Mr and Mrs R could have been better and offered £250 compensation. As Mr and Mrs R remained dissatisfied they referred their complaint to our service. Our investigator thought that Fairmead's settlement proposal was fair and it didn't have to pay the loss of rental income. But she thought that the £250 compensation didn't properly reflect the impact on Mr and Mrs R and said Fairmead should pay an additional £350, making £600 in total.

Mr and Mrs R didn't agree with this outcome. Neither did Fairmead. As no agreement could be reached, the complaint has come to me for 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.

I'll consider Mr and Mrs R's concerns about the proposed settlement, claim for loss of rental income and compensation separately.

I'm only looking at Fairmead's actions up to 29 September 2021, which is when it issued its final response to Mr and Mrs R's complaint. Anything which happened after that isn't the subject of this complaint and won't be addressed in my decision.

Settlement

There's damage to the front and rear of Mr and Mrs R's property, and it's agreed that vegetation is causing this. Fairmead proposes different settlement options for the front and rear of the property. It's agreed to cover the stabilisation at the front of the property, but believes that the removal of the vegetation is sufficient in the first instance at the rear of the property. Mr and Mrs R believe that both the front and rear should be stabilised.

In making my decision on this point, my starting point is that Fairmead needs to cover a

lasting and effective repair to the property. Nothing I've seen suggests that the removal of the vegetation which is causing the subsidence wouldn't allow for a lasting and effective repair to take place – if the vegetation is removed then it's hoped that the movement causing the subsidence will cease.

Fairmead has elected to stabilise the front of the property as the vegetation causing the damage there is owned by a local authority. It considers that pursuing the local authority to remove the vegetation in question will take a long time. The vegetation at the rear of the property is owned by a neighbour of Mr and Mrs R and the neighbour has agreed to remove it.

I haven't seen anything to suggest that the removal of this vegetation and monitoring of the property will take an unreasonable amount of time or cause such serious disruption or inconvenience to Mr and Mrs R that it isn't a reasonable or feasible option for Fairmead to pursue. I understand Mr and Mrs R's preference that all of the property be stabilised, but that isn't what Fairmead are liable for. I think the suggested settlement proposed by Fairmead is fair in these circumstances.

Loss of rental income

At the time the damage occurred, Mr and Mrs R had a tenant at the property. They've said that when the damage occurred, the tenant moved out, saying they had concerns about the structural integrity of the property. They say Fairmead should pay the loss of rental income which has occurred because of the damage to the property.

Mr and Mrs R's policy says that loss of rental income will be covered "*During the period the home is made uninhabitable*" (subject to the remaining terms and conditions of the policy). There's nothing that's been provided which suggests that the property has, at any time, been uninhabitable. While I don't have anything in writing from the former tenant saying why they moved out (Mr and Mrs R have told us that the issues with structural integrity were informed to them verbally), a tenant's concern with the structural integrity of the property isn't enough for me to conclude that the property was uninhabitable. The engineers and surveyors who've inspected the property during the course of the claim haven't indicated that the property can't be safely lived in, and I'm unaware of any loss of use or utilities at the property caused by the damage.

I'm not satisfied that the policy terms and conditions cover a claim made by Mr and Mrs R for loss of rental income in the circumstances they've described.

Compensation

Fairmead has recognised that it could have handled the claim better and that avoidable delays did occur due to its errors. It offered £250 compensation to recognise this. Our investigator thought that having considered all of the evidence available, a total amount of compensation of £600 was appropriate, so Fairmead should pay an additional £350. Neither party agreed with this.

While it's not unusual for insurance claims, especially those made for subsidence, to take a significant period of time to resolve, and also cause distress and inconvenience to policyholders, insurers must handle claims promptly and effectively. It's accepted that there were occasions during this claim when this wasn't the case.

Representatives appointed by Fairmead to carry out investigations at the property failed to identify a drain at the property, and then when reattending having been informed of this didn't inspect the correct one. In addition, there was a period of around two months following

a report being prepared that no obvious action was taking place to progress the claim. The inadequate investigations and lack of action contributed to what I think can be estimated as around six months of avoidable delays to the claim. In addition, there was a lack of pro-active updates to Mr and Mrs R, meaning that they were regularly contacting Fairmead to find out what was happening with the claim.

I think that the impact of these delays and poor handling would have been considerable on Mr and Mrs R. They were caused significant inconvenience by the delays, errors and lack of progress on the claim. It's also been over a lengthy period, and unnecessarily delayed the claim by around half a year. When making an award of compensation, our service's role isn't to punish financial businesses. Taking into account our guidelines and what I think is fair and reasonable in the circumstances, I think that £600 in total is a suitable amount of compensation. As Fairmead has already offered £250, it should increase the amount it pays Mr and Mrs R by £350.

My final decision

It's my final decision to uphold this complaint in part. To put things right, Fairmead Insurance Limited must pay Mr and Mrs R an additional £350 compensation, making £600 in total. Fairmead must pay this amount within 28 days of us telling it that Mr and Mrs R accept our final decision. If it does not, it must pay simple interest at a rate of 8% per year from that date until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R and Mrs R to accept or reject my decision before 16 March 2022.

Ben Williams
Ombudsman