

The complaint

Mr H and Mr G complain U K Insurance Limited took too long to settle their landlords insurance claim.

UKI's been represented during the claim by various contractors. For simplicity, in places, I've referred to their actions as being those of UKI.

What happened

In January 2021 Mr H and Mr G made a claim against their UKI landlords insurance policy. UKI investigated and found the front of Mr H's and Mr G's property to be suffering from subsidence. In January 2022 they complained to UKI about a lack of progress. In March 2022 UKI accepted it had failed to provide appropriate updates and to manage Mr H and Mr G's expectations about the complexity of a subsidence claim. It paid £200 compensation in recognition. It added the stabilisation scheme was in the final stages of preparation and said the works would be scheduled as a priority.

Mr H and Mr G weren't satisfied so came to this service. They said UKI had failed to complete the work in reasonable time. This had caused them to spend unnecessary time dealing with the issues involved - including complaints from neighbours and various authorities. They said the delay to repairs caused them to lose rental income. They asked for £8-£10,000 as a resolution, to cover financial loss and compensation for distress and inconvenience. In response UKI increased its offer of compensation to £350. It said Mr H and Mr G didn't have rental cover, so didn't volunteer to cover any loss of rent.

In May 2022 our investigator recommended UKI increase the compensation to £500. She felt the insurer hadn't progressed the claim effectively. She said because Mr H and Mr G didn't have loss of rent covered UKI was fair to decline that part of the claim. Finally she recommended UKI progress repairs in a timely manner. In response, Mr H said the compensation she had proposed wasn't enough to cover the financial loss resulting from UKI's poor handling of the claim. So the complaint was passed to me to decide.

In February 2023 I issued a provisional decision. In it I explained why I intended to require UKI to pay Mr H and Mr G £6,600 for financial loss and £500 compensation. The reasoning forms part of this final decision, so I've copied it in below. I also invited Mr H and Mr G and UKI to provide anything further they would like me to consider before issuing a final decision. In response UKI requested to see photos of the property and a tenancy agreement for Mr H and Mr G's previous tenant.

After being provided with a tenancy agreement I realised I had misunderstood the rent they had been paid by the departed tenant. £550 was an aspirational rent for a new tenant. Instead they had been paid £460 per month. I explained to UKI and Mr H and Mr G that I hadn't seen enough to persuade me they would most likely have received the higher amount. So I said I now intended to base the financial loss award on £460 per month rent. I also provided some additional information to UKI, including the requested photos. UKI failed to provide a response by an extended deadline. Mr H and Mr G provided some thoughts. I've addressed those below.

what I've provisionally 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.

In the summer of 2022 UKI completed stabilisation work. In December 2022 it finished external and internal repairs. As far as I'm aware Mr H and Mr G don't have any complaint about the quality of the work. So I don't have to consider that aspect. However, they remain unhappy about how long it took to complete the claim – approximately two years.

The longstanding tenant moved out, due to the condition of the property, around March 2021. That was about two to three months into the claim. The property's remained unlet since. Mr H and Mr G say the condition meant they couldn't and wouldn't let it out. Having seen some photos that seems reasonable to me.

Mr H and Mr G accept they don't have optional rental cover. So I can't fairly say UKI should cover loss of rent under the terms of their policy. However, they feel it's failure to complete the repairs in reasonable time caused them additional loss of rent. Having considered the matter, I think they make a fair point. So I intend to require UKI to reimburse them for some lost income.

I've seen a schedule of works (SoW) for the stabilisation and repairs, along with UKI and its contractor's records of the claim. I'm satisfied, if managed proactively and effectively, the claim would have been unlikely to take two years from notification to completion. To illustrate, I've highlighted a few incidents of delay I feel UKI's responsible for.

UKI accept in its own notes that it could have been more proactive in chasing the building consultant to review reports and make decisions. It was only in July 2021, seven months into the claim, that its contractors managed to identify the cause and potential solution. This was also four months after it transpired a request for a proposal of works had been overlooked. This seems to have caused additional delay.

After that, UKI's contractor refused to work to an initial SoW because a void under the property hadn't been accounted for. An engineer's input was then required – something that probably should have been foreseen months earlier. Again, this delayed the claim.

Records show that three months (so about 14 months into the claim) a contractor was still in the process of drawing up a stabilisation scheme. Those works eventually took place in the summer of 2022, around 18 months into the claim. However, internal and external repairs didn't take place for a further five or six months – in December 2022. And I haven't seen anything that provides a reasonable explanation for that timescale. I'll consider anything UKI provides in response.

Mr H and Mr G provided letters from a builder and a fellow landlord. They say, based on their experiences, the claim should have taken between five and eight months – including allowance for local authority involvement. I can't say for certain exactly how long the claim should have taken. Subsidence claims are complex by their nature, requiring the involvement of different agencies and contractors. This almost inevitably slows progress.

However, as I've said, I'm satisfied the claim, if managed pro-actively by UKI, wouldn't have taken two years to settle. Based on my experience, and what I've seen for this claim, about 12-13 months seems a reasonable timescale. However, I'll consider anything either party provides on this before issuing a final decision.

So I currently intend to decide UKI was responsible for around 11 months of unnecessary delay. And I intend to require it to, as far as possible, put Mr H and Mr G in the position they would have been in if that delay hadn't have happened. I think, without UKI's mistakes, they most likely would have let the property out again from around March 2022. That includes a few months to prepare, advertise and let.

I should note here that the property, despite the work being completed, hasn't been let out. Mr H and Mr G are hoping to sell it. They say they accepted an offer in the summer of 2022, but the sale fell through due to the continued delay with the repairs. They say they have now accepted a lower offer.

Whilst the property hasn't been let, I'm persuaded by Mr H's explanation, that their decision to sell the property was heavily influenced by the distress and inconvenience they experienced because of UKI's failure to progress the claim in reasonable time. So I'm satisfied that without the unnecessary delay the property would probably have been let out again from around March 2022. So UKI's mistakes caused a loss of income.

I therefore intend to require UKI to cover 11 months of losses – at £600 per month. This includes payment for loss of rent at £550 per plus an amount for bills (council tax, standing utility charges) that would have been covered by a tenant. So a total of £6,600.

UKI had already offered £350 compensation for failing to keep Mr H and Mr G updated about the claim. Our investigator felt that should be £500 in total. I agree that would be a fairer amount to reflect the unnecessary distress and inconvenience they have experienced. They have had to repeatedly chase UKI – plus deal with related pressure from a local authority. The extended loss of income has no doubt caused them some distress, something illustrated by their decision to sell the property.

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.

Mr H and Mr G provided some information to support their position that £550 per month would have been achievable. They referred to listings for similar properties advertised at that rate or higher. I've considered the prices given. But it seems likely they are listings from around early 2023, rather than the relevant period of Spring 2022. They are of limited value when considering what might have happened at the earlier date. And UKI hasn't provided any comment on the award. So I'm still satisfied £460 per month is a reasonable rent to base the financial loss on.

I also said I intended to award £50 per month for bills that otherwise would have been covered by a tenant. Mr H and Mr G have shown they were paying council tax at around £115 per month. I've considered this but I'm still going to award £50 per month. This amount is intended as an approximate overall figure for 'other' losses. I should have explained previously that I included, in my calculations, a deduction for maintenance or other costs and

losses a landlord is likely to incur through tenants occupying a property. Again UKI didn't provide a response for me to consider.

So I will be requiring UKI to cover 11 months of financial loss based on £460 per month rent plus £50 for other costs. At £510 per month that's a total of £5,610

Lastly Mr H and Mr G asked that I consider increasing the compensation awarded. They referred to the stress caused by UKI over two years. I'm still satisfied £500 is a fair amount. So I'm not increasing that award.

My final decision

For the reasons given above, I require U K Insurance Limited to pay Mr H and Mr G:

- £5,610 to cover 11 months financial loss and
- £500 compensation in total for unnecessary distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Mr H to accept or reject my decision before 12 April 2023.

Daniel Martin
Ombudsman