

The complaint

Mr L complains that Ocaso SA, Compania de Seguros y Reaseguros (“Ocaso”) has unfairly handled a claim he’s made in relation to a loss of rent claim under a household building insurance policy which was taken out by the local authority.

Any reference to Mr L or Ocaso includes respective agents or representatives.

What happened

The background is known to both parties, so I’ll summarise events.

- Mr L is the leaseholder for the property, and the freehold is owned by the local authority. The buildings insurance is in both the local authority’s name and Mr L’s name as beneficiary of the cover.
- In September 2020, a fire occurred and damaged the property. Mr L had been renting out the property at this time.
- Mr L made a claim under the policy which Ocaso accepted and its loss adjusters (LA) reviewed what happened. But Mr L says the claim didn’t progress as it should’ve done, so he complained to the LA and Ocaso.
- The LA attributed delays to Ocaso and said it had to chase for responses on several occasions to obtain approval to progress the claim. And he says Ocaso didn’t respond to his complaint.
- Repair work costs were cash settled and paid in full by Ocaso and are not in dispute. Following back and forth between parties, Ocaso agreed to cover loss of rent payments for ten months. Mr L requested a further two months as he said the works took longer to complete – but Ocaso declined this.
- So, Mr L brought his complaint to this Service. He said he had a loss of earnings from rent which meant he’d had to cover the mortgage payments himself, and the experience had been very stressful.
- Our Investigator looked into things and upheld the complaint. He said Ocaso’s decision to stand by the initial estimate was unreasonable and not supported by the evidence. And that Ocaso’s LAs were given the opportunity to provide a response to this but chose not to – which was unfair. So, he said Ocaso should pay a further two months loss of rent plus 8% simple interest.
- The Investigator also said there had been avoidable delays related to claim limits, quoting commentary from Ocaso’s LAs. And he said the delays, confusion, and unfair refusal to settle the claim in full had caused unnecessary distress and inconvenience to Mr L. So, he said Ocaso should award £950 in compensation.

Ocaso didn’t provide any further response. So, the complaint was passed to me.

I reached out to Mr L to explain I agreed Ocaso had made mistakes across the claim, but felt £500 would be fair compensation. And I gave him an opportunity to respond. He said having

the property burnt out for a year without being able to use it was very stressful. He reiterated that he'd wasted a lot of time making calls and emails due to Ocaso's mistakes. And he explained he had to cover council tax as he'd been unable to obtain an exemption, and he was still responsible for energy bills across this time.

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'm upholding this complaint. I'll explain why.

- Ocaso's responses to this Service have been limited. So, I've been reliant on email chains between its agents and what Mr L has told us to understand what's happened and its position on this claim.
- Ocaso has accepted this claim for loss of rent. What remains in dispute is the period of time it should pay this for. From what I've seen, Ocaso agreed to pay the loss of rent for this claim for ten months between September 2020 and June 2021 equating to £10,000 (minus an excess).
- Ocaso's file suggests its loss adjuster believed £10,000 to be the policy limit for loss of rent. So, when Mr L asked for the loss of rent to cover a longer period as the works were ongoing, this was declined as it appears this decision was related to the limit.
- However, Ocaso's own representative said "*The limit is £42,115.27, I don't understand why the adjuster insists on a £10,000 limit.*" This higher sum also appears reflective of the policy wording around limits. So, it seems clear to me this claim wasn't subject to a £10,000 limit. In turn, I don't think it would be fair for Ocaso to rely on a policy limit that hasn't been reached to limit a claim. And I'd have expected it to consider the additional claim for loss of rent.
- On its face, it doesn't appear to me that Ocaso considered this request beyond saying the claim was already settled. And while I may typically expect an insurer to ask questions or possibly for evidence to establish why a claim has gone on longer, here it seems it didn't engage with Mr L or provide any reasons why – and appears to have flatly declined the request.
- The damage in this case appears extensive. So, I can understand how an initial estimate may not always be accurate or that in some instances works may reasonably take longer than initially expected. And here, I'm not satisfied Ocaso did enough to consider this part of the claim. Given it's had ample opportunity to investigate these points, I'm directing it to simply pay the additional two months of loss of rent payments.
- I've gone on to consider the handling of the claim. I understand why Mr L's flat being out of use for so long would have been stressful for him. But I have to take into account that a claim like this, with extensive fire damage, would've brought an inevitable degree of stress and inconvenience for Mr L. So, it is only the impact of Ocaso's mistakes on Mr L that I am making an award for.
- Throughout the file Ocaso has provided, its agents have referred to delays on its part, mistakes made, and the extent of Mr L's frustration. I see no reason repeating these comments here. From these, it's clear to me that Ocaso hasn't handled this claim as it should've done and there have been significant delays and breakdowns in communication that have caused unnecessary distress and inconvenience to Mr L – including regular calls and emails from him to request updates and progress the claim.

- I can see that Ocaso's poor communication across the life of the claim would have made a difficult situation even worse and caused Mr L distress. But I have to keep in mind as a landlord, the impact is more remote than if he lived in the property directly.
- I've taken into account Mr L's points about paying for council tax and energy bills. I can't see he's raised this point with Ocaso or this Service previously. But his policy covers him for loss of rent, and not these types of costs in addition. So, on its face, these are uninsured losses.
- If Mr L believes Ocaso should cover any additional financial losses outside of the policy terms he should show these costs to Ocaso with accompanying evidence for it to consider. And I'd expect it to consider if any delays on its part have led to avoidable increased costs for Mr L which it may be fair and reasonable for it to cover.
- Taking everything into account, I'm directing Ocaso to pay Mr L £500 for the distress and inconvenience it has caused him.

My final decision

My final decision is I uphold this complaint. Ocaso SA, Compania de Seguros y Reaseguros must pay Mr L the following:

- £2,000, reflective of the two additional months loss of rent he's claimed for – bringing the loss of rent claim to 12 months in total if it has not already paid this.
- 8% simple interest from the date the previous loss of rent payment was paid to Mr L until this is paid to him.
- £500 in compensation, reflective of the mistakes and poor handling of this claim.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 8 August 2022.

Jack Baldry
Ombudsman