

The complaint

Mr K complains Ageas Insurance Limited unfairly declined a claim on his landlord insurance policy.

What happened

In July 2021, Mr K made a claim after he found his tenants had damaged his property to facilitate the cultivation of cannabis.

Ageas initially accepted Mr K's claim, and it offered £5,000 for the damage to the building. Mr K queried his missing and damaged contents, and loss of rent. However, Ageas then withdrew its offer and declined the claim in full. Ageas relied on an exclusion for loss or damage resulting from any building alterations.

Mr K complained about Ageas' claim decision. Ageas maintained its position, but it offered £150 compensation for the delays and the confusion caused by its initial claim decision. Mr K remained unhappy, so he referred his complaint to our service.

One of our investigators thought the complaint should be upheld. She didn't think Ageas had fairly applied the exclusion. She thought Ageas should reconsider the claim in-line with the remaining policy terms and pay a total of £350 compensation.

Our investigator issued her findings six weeks ago. Because Ageas hasn't responded to our investigator's findings, or to her two follow-up emails asking for a response, the complaint has been passed to me for a final decision. Ageas was informed two weeks ago the case would now be passed to an ombudsman due to its lack of response.

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.

The policy is split into '*buildings*' and '*landlords contents*'. Both sections have a standard coverage for '*malicious damage or vandalism*'. However, that coverage, in both sections, excludes damage caused by tenants. So, those coverages don't apply to Mr K's claim.

Both sections also have additional coverages. The additional coverages of relevance to this complaint are:

- a) '*accidental damage to the buildings*'
- b) '*accidental damage including malicious damage and theft by tenant to the buildings*'
- c) '*accidental damage to the landlords contents*'
- d) '*accidental damage including malicious damage and theft by tenant to the landlords contents*'

My understanding of Mr K's policy schedule is he had taken out the additional coverages I've labelled 'a', 'b', and 'c', but not the additional coverage I've labelled 'd'. Therefore, if my understanding is correct, the contents – which were either stolen by the tenants or maliciously damaged by them – aren't covered.

In respect of the additional coverage I've labelled 'b', *i.e.* malicious damage to the buildings by tenants, the cover is limited to £5,000. The cover excludes: *"Loss or damage as a result of any building alterations, renovations or repairs."*

Ageas declined the buildings part of the claim because the damage was caused by the tenants making building alterations. So, what I need to decide is whether Ageas' strict application of the exclusion, in the circumstances of this case, is fair and reasonable.

Any instance of malicious damage to a building could, strictly speaking, be considered to be an alteration. As such, applying the exclusion strictly, as Ageas has done here, would mean there's no cover in place for malicious damage by tenants. In my view, the exclusion needs to be applied in the spirit of the cover that has been taken out.

In this case, the tenants' alterations weren't done for improvement purposes. The alterations were done in order to cultivate drugs, and there's no question the damage was deliberately and maliciously caused. So, in the context of the cover that was taken out, *i.e.* malicious damage by tenants, I don't consider Ageas' reliance on the exclusion to be fair and reasonable.

Mr K has loss of rent cover under the '*buildings*' section. As per the policy terms, the '*loss of rent*' coverage applies where a claim for loss or damage has been accepted under one of the other '*buildings*' coverages. So, if the buildings part of Mr K's claim is now accepted under the coverage I've labelled 'b', the '*loss of rent*' coverage would be applicable.

In conclusion, I'm persuaded Ageas should reconsider the buildings part of the claim without applying the 'alterations' exclusion; and now respond to the contents, and loss of rent, parts of the claim. If Mr K is unhappy with Ageas' further claim decision, he can make a new complaint about that.

I'm not persuaded Ageas treated Mr K fairly by applying the exclusion. I've seen the matter has caused him upset and inconvenience – in addition to his claim being delayed. In the circumstances, I find the compensation recommended by our investigator to be fair and reasonable.

My final decision

For the reasons I've set out above, I uphold this complaint.

My final decision is Ageas Insurance Limited should:

- reconsider the buildings part of the claim without applying the 'alterations' exclusion;
- respond to the contents, and loss of rent, parts of the claim; and
- pay Mr K £350 compensation, in total (if £150 has already been paid, a further £200 would be due).

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

Vince Martin
Ombudsman