

## **The complaint**

Mr D is unhappy with Covea Insurance plc's decision to turn down a claim made under his Property Owners policy.

All references to Covea include its appointed agents.

Mr D is being represented in this complaint, but for ease of reading, I'll refer to him directly.

## **What happened**

Mr D discovered evidence of malicious damage at a property he rents out and notified Covea of the claim. Covea appointed a loss adjuster to investigate the damage.

Covea considered the claim but turned it down as it said there wasn't sufficient evidence that Mr D had verified his tenant's references prior to them renting the property, in line with the policy terms and conditions. Covea said it would reconsider its position should the required evidence come to light.

Mr D disagreed and complained to Covea. He said his lettings agent had verified the tenant and so the claim should succeed. He also wanted to claim for the loss of rent during the period the property was uninhabitable, as he'd been unable to pay for the property to be renovated.

Covea maintained its position to turn down the claim, so Mr D referred the matter to our service.

Our investigator looked at the complaint and recommended it not be upheld. They said that whilst the policy didn't define what level of verification was needed, based on the evidence provided by Mr D, it was difficult to ascertain how the tenant's references were verified. They said that if Mr D had this information, or could obtain it from his letting's agent, then this evidence should be submitted for reconsideration.

In response to our investigator, Mr D provided further evidence, including information from his lettings agent about how the references were verified. Our investigator passed this evidence to Covea, but it maintained its position to turn down the claim. Covea said the evidence provided was dated after the event and wasn't sufficient to show Mr D carried out checks on the references.

Our investigator reconsidered the complaint and recommended it be upheld. They said that Mr D's additional evidence provided an explanation of the events that happened. So, they were satisfied Mr D had carried out verification checks in line with the policy terms.

Our investigator therefore recommended Covea should pay the malicious damage claim subject to the policy limits and consider Mr D's loss of rent claim.

Mr D accepted our investigators findings. As the matter remained unresolved, the complaint has now been passed to me to make 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 note Covea has at this late stage asked for a further review of the evidence provided by Mr D. But this same evidence was provided to it some months ago. Covea has already said this evidence didn't change its mind about the claim, and I think it's been provided with reasonable opportunities to consider its position. So, to resolve the complaint and prevent further delays I've decided to proceed and issue my decision.

Having considered everything, I agree with the conclusions reached by our investigator, and I'll explain why below.

Mr D's policy covers him for "*Malicious Damage by Residential Tenants*". The key part of the terms here state:

*"It is a condition precedent to **Our** liability under this Extension that:*

- (a) **You** or authorised persons acting on **Your** behalf or **Your** managing agents shall in each instance obtain and retain written and verified references for all residential tenants or prospective residential tenants*
- (b) **You** must produce such written references at **Our** request in the event of a claim under this Extension.*

***Our liability will not exceed £5,000 any one occurrence"***

The policy doesn't define exactly how the references must be written, recorded, or verified. And I can see that Covea has attempted to clarify this in an email to its own loss adjuster saying, "*If there is no definition in the policy wording then we would look to the dictionary for one. Looking online at tenants references it advises that the referee should be contacted by phone to confirm they are the one on the letter and the information provided is correct – i.e. verifying it.*"

Covea's main reasons for turning down the claim appear to be linked to a failure of Covea's loss adjuster to verify the same information for themselves, some years after the event took place. In the circumstances, I'm not persuaded that this produces a fair or reasonable outcome to this complaint.

I say this because Mr D's evidence from his lettings agent confirms that his contact details have remained the same. And they've confirmed that they've spoken to Mr D's broker and representative in relation to the claim.

The lettings agent has also provided a further signed statement alongside the two written references which explains how they verified each reference for Mr D's tenant.

Having considered this statement, I'm persuaded that on balance it shows that reasonable attempts were made to obtain written and verify references. I say this because the lettings agent says they spoke directly to both referees and obtained further evidence from other lettings agents to validate the referees' own personal information.

Covea hasn't challenged the material facts of this evidence, rather it has sought to rely on the fact that the evidence was provided after the event to maintain its position. But given its own policy wording isn't explicit about how the references should be verified, I find that a signed and dated statement from the lettings agent who verified the references is sufficient for the claim to succeed.

I've seen nothing firm to refute the material facts as presented by the letting's agent, and I'm not persuaded that Covea's own attempts to verify the same information now are sufficient to say it wasn't done at the time. So, I find Covea should settle Mr D's claim up to the limit of its liability under the policy extension.

Mr D says he's also lost out on rent as he's been unable to refurbish his property or rent it out. As I find his claim for malicious damage should succeed, it follows that Covea must consider his loss of rent claim in the circumstances, subject to the remaining policy terms and conditions. If Mr D is unhappy with how Covea considers his loss of rent claim, then that would need to be dealt with as a separate matter outside of my decision.

### **Putting things right**

In order to put things right for Mr D, Covea must:

- Settle his claim for malicious damage up to the maximum policy limit of £5,000.
- Pay Mr D 8% simple interest on this amount, from the date the claim was made, to the date of settlement\*
- Consider Mr D's loss of rent claim, subject to the remaining policy terms and conditions.

\*If Covea considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr D how much it's taken off. It should also give Mr D a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

**My final decision**

My final decision is that I uphold this complaint and require Covea Insurance plc to put things right by doing what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 6 January 2023.

Dan Prevet  
**Ombudsman**