

The complaint

Mr and Mrs L complain about the time Royal & Sun Alliance Insurance Limited (“RSA”) took to pay a claim under their landlord rent guarantee insurance policy.

Where I refer to RSA, this includes the actions of its agents and claims handlers for which it takes responsibility.

What happened

In September 2021, Mr and Mrs L’s tenants fell into arrears on the insured property – so they made a claim under their insurance policy for the unpaid rent and to evict the tenants. RSA accepted the claim and agreed to cover the rent each month starting from January 2022.

Mr and Mrs L complain about the time it took RSA to pay the rent each month. They say they had to chase continuously which has caused a considerable amount of distress at an already difficult time of having to evict their tenants. Furthermore, their bank account has been overdrawn during this time as they depend on the rental income to pay their bills.

RSA upheld the complaint and offered compensation of £75 for the distress and inconvenience caused. But Mr and Mrs L didn’t think this was enough to put things right, so they brought their complaint to our service.

Our Investigator agreed that the compensation offered was too low for what went wrong. He recommended that RSA increase it to £200 and to ensure that monthly payments are made promptly going forward.

RSA agreed to this, but Mr and Mrs L didn’t – they still consider the compensation to be below a fair amount for the impact they’ve suffered. As such, the complaint has 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.

The Financial Conduct Authority’s “Insurance: Conduct of Business Sourcebook” (“ICOBS”) requires insurers to handle claims promptly and fairly. Looking at the timeline provided, I’m not satisfied RSA has done that. And this isn’t in dispute – RSA accept that there have been delays.

So I don’t need to decide whether RSA has done something wrong – it has. What I need to decide is whether it has done enough to put things right. To do so, I’ve thought about the impact these delays have had on Mr and Mrs L.

I’m satisfied that Mr and Mrs L would’ve been caused some additional distress by these delays. I can see that, despite promptly providing the information RSA needed each month, they’ve had to chase multiple times before receiving the money. I’ve no doubt this would’ve

exacerbated an already difficult situation in which they were undergoing legal proceedings to evict their tenant.

Mr and Mrs L tell us that they've been overdrawn on their bank account because they rely on the rent to pay their bills. I appreciate this would've been difficult for them, but I'm not persuaded I can attribute this impact to RSA. I say this because it's the tenants that have failed to pay the rent on time, so I think Mr and Mrs L's account would've always been impacted. But I do agree that RSA's slow reaction to the claim has caused them to be in their overdraft longer than they should've been.

Taking everything into account, I agree with our Investigator that £200 is fair compensation for the impact RSA's actions have had on Mr and Mrs L. I appreciate they don't agree, but compensation isn't intended to fine or punish RSA for wrongdoing, nor is it to compensate for the problems caused by the actions of the tenants or by having to bring the claim itself. It's to recognise the impact experienced which, from what I've seen, is limited to distress and inconvenience.

To clarify, I'm looking at the delays between January 2022 when the first payment was due to May 2022 when Mr and Mrs L raised their complaint. If these delays have continued each month since May 2022, they're entitled to raise a new complaint to RSA which can be escalated to our service if unresolved.

My final decision

For the reasons I've explained, I uphold this complaint and direct Royal & Sun Alliance Insurance Limited to pay Mr and Mrs L compensation of £200. This should be made within 28 days of Mr and Mrs L's acceptance of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L and Mrs L to accept or reject my decision before 10 April 2023.

Sheryl Sibley
Ombudsman