

The complaint

Miss M complains Ageas Insurance Limited unfairly declined a loss of rent claim against her Let Property insurance policy, after her rental property was damaged by a fire.

Reference to Ageas include their agents.

What happened

The background to the complaint is well-known to all parties, so I won't repeat it here. In my decision I'll focus mainly on giving the reasons for reaching the outcome I have.

A property Miss M rented to tenants suffered extensive fire damage in July 2021. Ageas accepted the claim for damaged buildings and contents and told Miss M it could take at least 12 months for the property to be reinstated. Miss M also raised a loss of rent claim, but Ageas declined it because the property was vacant when the fire occurred, and Miss M hadn't demonstrated she had suffered a loss.

Miss M says the property was rented between 2018 to 2020, and another tenant was in situ between February to July 2021 but had to move out due to personal reasons. She says she was cleaning the property, amongst other things, in preparation for a new tenant to move in. And she had verbally agreed for a new tenant to move in on 13 July 2021 – subject to references and signing a tenancy agreement. But this fell through as a result of the fire as the property wasn't liveable due to the damage.

She says the prospective tenant wrote to Ageas in April 2022 confirming they would have rented the property in July 2021 for £600 per calendar month if the fire hadn't occurred. Ageas tried to contact the tenant, but they refused to engage further, so they maintained their decision to decline the loss of rent claim. Miss M wasn't happy, so she approached our Service for an independent review.

Our investigator recommended the complaint be upheld. She thought the policy should have responded to Miss M's loss of rent claim given the property wasn't able to be lived in due to the fire. She recommended Ageas considered the claim in line with the policy terms and include interest. Ageas didn't agree, so the case was passed to me to decide.

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 says it covers loss of rent if the property is damaged by fire and as a result it cannot be lived in. That's what happened here – fire caused extensive damage, the property wasn't and remains unliveable due to the nature of the claim and repairs, and Miss M hasn't been able to rent it out.

Ageas were aware of the nature of the claim, repairs required, and the potential for the property to be unliveable for a prolonged period. I say this because they told Miss M early on

in the claim it could take a long time before keys were handed back to her to start renting the property again. So, I think the policy should have responded to the loss of rent claim given it was clear the fire resulted in the property becoming unliveable – meaning Miss M would suffer a loss of rent.

Miss M also says a tenant viewed the property in July 2021 and verbally agreed to move in on 13 July 2021. Unfortunately, between the viewing and the agreed moving in date (subject to checks and signing a tenancy agreement) the fire occurred meaning the prospective tenant could no longer move in. The tenant wrote to Ageas in April 2022 stating they would have moved in had the fire not occurred. I'm aware the tenant decided not to engage further with Ageas after sending this April 2022 letter, but I don't think it's fair for Ageas to rely on this to decline the claim. It's clear from the rental history – and given this was Miss M's only source of income – it's most likely a tenant would have moved in shortly after the previous tenant moved out in July 2021, but the property was no longer liveable due to the fire.

Given the above, I'm satisfied Miss M suffered a loss of rent. It's clear given the nature of the claim the property became unliveable – preventing Miss M from renting it out. This was her sole income and I'm satisfied a tenant would have been in situ shortly after the previous tenant moved out in July 2021, but the fire prevented this from happening. So, I'll be directing Ageas to settle Miss M's loss of rent claim and include interest.

Putting things right

Ageas Insurance Limited must now settle Miss M's loss of rent claim in line with the policy terms and conditions. They must also include 8% simple interest* from the date of loss to the date of settlement.

My final decision

For the reasons I've mentioned above, I uphold the complaint. Ageas Insurance Limited must now put matters right as set out above under heading "putting things right".

*If Ageas Insurance Limited considers that they're required by HM Revenue & Customs to deduct income tax from that interest, they should tell Miss M how much they've taken off. They should also give Miss M a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 4 April 2023.

Liam Hickey
Ombudsman