

The complaint

A company that I'll refer to as O has complained that Ageas Insurance Limited hasn't offered enough to settle its loss of income insurance claim.

Mr S, a director of O, has brought the complaint on O's behalf through a representative. For ease of reading, I will refer to O throughout.

Reference to Ageas includes anything done by its agents.

What happened

O runs a holiday home for which it held loss of income cover with Ageas. The policy ran from 11 December 2019 to 10 December 2020.

O, via its broker, cancelled the loss of income cover on the policy in May 2020 meaning that there was no cover from 1 June 2020 onwards. O said this is because if the policy didn't provide cover and the holiday home was going to be empty it didn't need the cover.

In October 2020, O claimed on its policy for loss of income from 24 March 2020 after its business was impacted by Covid-19 and the Government's response to the pandemic. In December 2020, O renewed its policy and included loss of income cover but the policy excluded cover for Covid-19.

Ageas initially said the policy would cover any cancelled bookings up to 10 December 2020 and O would need to make a further claim for any cancelled bookings beyond that date. However, Ageas later realised that the cover for loss of income had been removed from 1 June 2020. Therefore, it said it would only pay for cancelled bookings up to 31 May 2020.

O complained to Ageas. It said the cover had only been removed due to Ageas indicating that O's claim wouldn't be covered. It said the claim should be covered if it pays Ageas the premium that was returned. O also said that, in any event, the policy provided cover for a 12 month indemnity period and not just until the date the policy lapsed. Therefore, O said the period of claim payable should be between 23 March 2020 and 23 March 2021.

Ageas maintained that it would not offer anything further to settle O's claim. Unhappy with Ageas's response, O brought its complaint to our service.

Our investigator looked into O's complaint and recommended it be upheld as she thought Ageas should have paid O's claim for the entire lockdown period from March to July 2020. She asked Ageas to pay O's claim for losses until 4 July 2020 plus interest. She thought it would be fair for Ageas to deduct the additional premium from this amount.

Ageas didn't reply but O didn't agree. It said its losses should be covered for the full 12 months until March 2021. O asked for an Ombudsman's decision.

Before I reached a decision, our investigator asked O why it didn't claim until October 2020 and asked Ageas whether it had declined claims on this policy at the beginning of the

pandemic.

O said it, and the broker on its behalf, had assumed that there was no cover under the policy. It said it had later realised there might be cover following the Financial Conduct Authority Business Interruption Insurance 'test case'. O said that neither it, nor its broker, had received any notification from Ageas to indicate that there was cover.

Ageas said while it had initially held some claims in abeyance, it had not declined claims. It said in April 2020 it accepted claims where there was cover in place, and the booking was due to take place during the policy period, and where there were restrictions in place due to Covid-19.

I issued a provisional decision on O's complaint on 10 March 2023. In that I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The claim

O's claim was paid under the following clause:

"Disease, vermin, defective sanitation, and murder

We will pay for loss of income for up to twelve months resulting from:

- a notifiable human disease at the holiday let, or within a 25 miles radius of the holiday let.*
- the discovery of vermin or pests at the holiday let.*
- any occurrence of murder or suicide at the holiday let.*
- any Accidental Damage causing defects in the drains or other sanitary arrangements at the holiday let."*

I understand that part of O's complaint is that the policy should provide cover for up to 12 months, as that is the indemnity period on the policy. However, I don't believe that it is necessary for me to make a finding on whether the policy should have provided cover beyond the date O's policy lapsed. That's because O told us that its broker cancelled the loss of income cover on the policy mid-term.

As O, or the broker acting on its behalf, decided to cancel the loss of income cover from 31 May 2020, I don't think it would be fair and reasonable for me to require Ageas to pay O's claim beyond that date. I say that because beyond 31 May 2020 it did not have cover on the policy and had received a refund of premium for the cover. Therefore, O was no longer insured for any loss of income beyond that date.

I have thought about O's point that it believed there was no cover available under the policy and that Ageas is responsible for that. However, I don't believe that I can fairly hold Ageas responsible for O's belief in the circumstances. I have not been provided with anything other than O's comments to support that Ageas told O's broker that claims weren't being paid under this policy. Ageas has said that while it held some claims in abeyance to consider whether there was cover, it hadn't declined claims. It also said that it had accepted claims under this clause before the cover was cancelled. Therefore, on balance, I think it's unlikely that Ageas told O's broker that it wasn't paying claims on this policy wording. I also don't believe that there was an obligation on Ageas to check whether O had experienced a loss prior to the cover being removed given that the cover was removed by the broker.

In reaching this decision, I have considered whether O's broker was acting as an agent of Ageas when cancelling the cover. Our service has asked both Ageas and the broker whether the broker was acting as an agent of Ageas in carrying out this activity and neither has confirmed that the broker was acting as Ageas' agent in carrying out this activity. This is in line with the broker's Terms of Business which indicate that the broker acts as the agent of the policyholder when making any changes to the policy. O hasn't indicated that it thinks the broker was acting as Ageas's agent either. However, if any party believes that the broker was acting as Ageas's agent in cancelling the cover, they should let me know by 24 March 2023.

Ageas's communication about the claim

I can see that in early January 2021 Ageas indicated to O that its claim would be considered for cancelled bookings until the policy renewal date in December 2020. However, in late March 2021 Ageas told O that there had been a mid-term adjustment and that meant cover was only in place until 31 May 2020. Following further communication one of Ageas's customer relations employees let O know that it had received an opinion from a senior manager which supported O's view that its claim should be paid for 12 months. They said they would refer it back to the claims team for review and in April 2021 O was asked to provide details of losses for the period until March 2021. On 7 May 2021 Ageas told O that it would only be covering its claim until 31 May 2021.

I think that Ageas provided O with inconsistent information which would have caused it some inconvenience, for example in having to collate and provide evidence to support its claim beyond 31 May 2020. However, I haven't seen anything to indicate that the incorrect information caused O a financial loss. Therefore, I think it would be fair and reasonable for Ageas to compensate O for the unnecessary inconvenience it caused as it led O to believe its claim might be covered when Ageas should have known it wouldn't be. I think £200 would be a fair and reasonable amount for this.

O responded to say that it was an innocent party and had been badly let down by the insurer and the broker. O asked when Ageas started letting its policyholders know that it would be paying claims and whether it communicated anything about that. O said that the fair and reasonable outcome would be for O to pay the refunded premium and for the policy to be reinstated.

O said that, in any event, it thought that there would be cover beyond the date the policy lapsed because the cover had been triggered while the cover was in force. O said it was no different to an insured event taking place towards the end of the policy period. O also said that it thought Ageas was benefitting from a genuine mistake.

O added that it had not received any payment from Ageas and asked me to consider that and award interest.

Ageas accepted my provisional 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.

Having done so, I'm not persuaded to depart from my provisional decision. As I've already set out my reasons within my provisional decision, I do not see the need to repeat them here. However, I will address what I consider the main points within O's response.

O said that it had been let down by both Ageas and the broker. In this decision I can only consider whether Ageas or anyone acting as its agent has done anything wrong. In response to my provisional decision it has not been suggested that O's broker was an agent of Ageas. Therefore, I can't make a finding on the actions of O's broker in this decision.

Ageas said that it accepted claims on this policy wording in April 2020. I understand that Ageas did not send out anything out to its policyholders to inform them of this but I don't think this means Ageas made an error which led to O's decision to remove the loss of income cover.

I do not agree that O's circumstances are similar to an insured event taking place towards the end of the policy period. That's because, in O's case, the cover had been removed mid-term which means it hadn't paid for the cover for the full term of the policy. I have to consider what is fair and reasonable in all of the circumstances of the complaint and in this particular case I don't think it would be fair and reasonable for me to require Ageas to pay O's claim beyond the date that cover was removed from the policy.

I have noted O's point that it has not yet received any money in settlement for its claim, despite having asked for interim payments, and would like me to consider awarding interest. That will be dealt with as a separate complaint so I'm not going to comment on it further within this decision.

Putting things right

I think that the fair and reasonable outcome to this complaint is for Ageas to pay O £200 inconvenience for providing inconsistent information about how the claim would be settled.

My final decision

My final decision is that I uphold this complaint and require Ageas Insurance Limited to do what I've set out in the 'Putting things right' section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask O to accept or reject my decision before 27 April 2023.

Sarann Taylor
Ombudsman