

The complaint

Mr D complained that part of his claim was unfairly declined by Royal & Sun Alliance Insurance Limited ("RSA") under his landlord's insurance policy. He said his claim was poorly managed and the delays meant he couldn't rent out his property sooner.

What happened

Mr D made a claim to RSA just after his tenant moved out of his property. Mr D said a ridge tile had become dislodged by a storm. Mr D said, *"the tenant did not report the ridge tile (if she had noticed it) and therefore the damp had time to damage the roof, ceiling and exterior wall, including the inside of the property"*.

RSA sent a surveyor to review the damage and validate the claim. RSA declined the external damage to the property as it said there was no evidence of an insured peril. However, RSA did confirm it would cover the internal damage and RSA's supplier was appointed to attend and repair the damage to the property.

However, when the supplier attended, it recommended to RSA that the internal damage be declined also as there was no evidence of an insured peril. It said there was long-standing maintenance issues.

RSA acknowledged there were *"delays and poor handling"* of the claim. There were delays in the supplier scoping the work. However, RSA confirmed it was covering the area under the leak as accidental damage but did say other areas of the property relating to damp and mould wouldn't be covered.

RSA paid £600 to settle the accidental damage and paid £500 compensation for the distress and inconvenience caused (£250 of which was through waiving the excess payment on the claim). However, Mr D was unhappy he wasn't reimbursed for loss of rent for the delays in the claim. RSA said there were other maintenance issues with the property that Mr D needed to deal with before the property could be rented. It also said there were no tenants in place or evidence of prospective tenants being willing to move in.

Our investigator decided to uphold the complaint. She thought as RSA was responsible for delays, it should cover the loss of rent for that period (£3,150). However, she did think the compensation offered was fair in the circumstances. RSA disagreed, so the case has been referred to an ombudsman.

My provisional decision

I issued a provisional decision on this on 6 June 2023. I said:

"Before I share my decision, I want to clarify that Mr D has raised more than one complaint in relation to this incident. There is a separate complaint that is being investigated by our service considering the fairness of RSA's decision not to cover the external damage to the

property because of a storm. As this is being considered elsewhere, I won't cover this in my decision. I will only focus on the internal damage and the loss of rent claim.

I can see there was confusion over whether the internal damage was covered. The original surveyor indicated it was covered, then the subsequent supplier when scoping out the work recommended it wasn't covered. I'm glad that RSA has clarified in its final response that damaged areas from the ingress of water would be covered. RSA has offered a cash settlement of £600 to cover this. I think this is fair. RSA only need to cover the costs of repairing the damage the leak caused internally.

I've then considered the loss of rent Mr D has suffered. He said the delays that RSA caused meant he couldn't rent out his house sooner. However, RSA said he wasn't covered for loss of rent as there were no tenants or prospective tenants in the property.

I've checked the policy to see what is covered. The policy sets out that Mr D is covered for loss of rent "resulting from damage to property". The policy defines loss of rent as "the actual amount of the reduction in the Rent received by you during the Indemnity Period solely as a result of Damage to Buildings".

The policy doesn't set out that loss of rent is only paid when there is a sitting tenant or a prospective tenant, so I don't think RSA's reason for not paying loss of rent is reasonable. RSA has acknowledged it caused delays to the claim – it said it could've settled the claim in August 2022. However, I listened to a call where RSA agreed to settle £600 for the claim and awarded compensation. This was in January 2023. So, I think the claim has been delayed for six months.

I don't think RSA has been fair in not paying any loss of rent. Mr D said he's had regular tenants for the past 18 years. On request, he's provided evidence that his property has been rented out for the last five years. I think the damage to his property has brought a break in his ability to rent out the property. As RSA didn't settle his external damage, Mr D had this rectified and this was completed by August 2022 – so, I think the settlement of the internal damage has been the main cause in Mr D not been able to advertise his property. I think the property was likely to be rented out based on the history of rentals.

I appreciate RSA has said Mr D wouldn't have been able to rent out his home due to other defects in the property. However, I don't think RSA has sufficiently proven this. I have checked the report produced by RSA's supplier who came to scope the works and there is no commentary in the report to set out what damage was caused by the water ingress and what damage was present pre-loss. I think the delays to the settlement has led to a loss of rent, so I uphold this complaint.

Mr D claimed for loss of rent at £525 per month which is what he said he would've been able to easily rent his property out for. He has provided evidence from his estate agent that the market suggests his property could've been rented out for over £700. Therefore, I think Mr D has been reasonable in his assumption of monthly rent. I intend that RSA pay Mr D £525 for five months – which is the six months delay less one month which I've deducted to allow time for the repairs to be completed for the damage from the leak and other defects not caused by the leak (£2,625 in total). As Mr D has been without this money, I'm going to add 8% simple interest per annum from the date in August RSA acknowledged it could've settled the internals to the date it pays the loss of rent.

Mr D has asked for compensation of £1,000 for distress and inconvenience. I appreciate this would've been stressful, but part of that stress is down to the incident itself. I can't hold RSA accountable for that. However, I do think their indecision and inaction has caused a level of delay and frustration. However, by paying £500 already, I think RSA has made a fair

payment of compensation, so I won't be asking it to increase this".

Responses to my provisional decision

RSA said it was not challenging my decision and had no further information to add.

Mr D accepted my 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 haven't received any new information, so I don't see a reason to change my provisional decision.

My final decision

My final decision is that I uphold this complaint. I require Royal & Sun Alliance Insurance Limited to pay Mr D:

- £2,625 for the lost rent he has suffered for the delays it caused, plus 8% simple interest* per annum from the date in August 2022 RSA acknowledged it could've settled the internals to the date it pays the loss of rent.

*HM Revenue and Customs requires Royal & Sun Alliance Insurance Limited to take off tax from this interest. RSA must give a certificate showing how much tax it's taken off it if Mr D asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 11 July 2023.

Pete Averill
Ombudsman