

The complaint

Mr C complains Chaucer Insurance Company Designated Activity Company (Chaucer) delayed settling a fire damage claim under a Let Property insurance policy.

What happened

I issued a provisional decision on 20 November 2023 which set out the following:

'What I've provisionally 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 claim journey

A property Mr C rents to tenants suffered fire damage in early July 2022. He raised a claim with Chaucer on 18 July 2022. Mr C lives abroad so he appointed a loss assessor to handle the claim, and Chaucer appointed Davies Group.

Davies Group said a loss adjuster would attend Mr C's property in August 2022, but that didn't go ahead due to an IT system outage. This resulted in Mr C calling from abroad, and his loss assessor chasing for information and things to happen. A loss adjuster did attend later, in September 2022, and following issues with Mr C being potentially underinsured, and further validation being required over costs, the claim was settled on 24 November 2022.

Davies Group were responsible for the initial delays. However, once the loss adjuster visited the property, I'm satisfied the claim was handled reasonably. As mentioned above, Davies Group had to revert back to Chaucer given the potential issue with underinsurance, and a further quote was requested from Mr C's loss assessor due to costs within their initial quote being considered high. It's reasonable for an insurer to take steps to validate a claim and costs prior to accepting and settling a claim, and this can take time.

I acknowledge Mr C was left chasing, but I also note much of the claim correspondence was between Mr C's loss assessor, and Davies Group, who had to contact Chaucer. I appreciate though here there was a delay of roughly one month at the beginning of the claim which would have been frustrating for Mr C. Chaucer considered the impact on Mr C and paid him £100 compensation. I currently find that was fair, reasonable, and proportionate here. I say this because much of the chasing was done by Mr C's loss assessor which would have somewhat mitigated the impact on Mr C.

Therefore, I currently don't intend on requiring Chaucer to increase the compensation here.

Loss of rent and maintenance costs

Mr C says the fire damage resulted in tenants moving out because they decided they couldn't live there anymore. I think that's reasonable given the photos of damage I've seen – damage was caused to the windows and front door so there could have been a security concern. The tenants paid the rent until mid-August 2022. Mr C says they were paying £700

per month.

Mr C says the delays in the claim being progressed meant he couldn't rent the property to tenants. And prospective tenants interested in the property didn't go ahead given the damage remained outstanding for some time. When tenants did move in, he says he had to discount the rent by £100 per month while repair works were ongoing. New tenants were said to have moved in on 30 November 2022.

So, between 15 August 2022 to 30 November 2022 the property wasn't tenanted. Mr C says during this time the walls and smoke damage was treated, and he had to paint and clear the garden – incurring maintenance costs he otherwise wouldn't have done had tenants been in situ. Mr C wants Chaucer to cover these costs, the loss of rent, and the discounted £100 he lost out on.

I've considered what the policy says in relation to loss of rent. Under the buildings section, it says:

'10 Loss of Rental Income

The loss of **Rental Income** if the **Property** insured under the **Buildings** section is damaged during the **Period of Insurance** and as a result a **Tenant** is not able to occupy the **Property**

We will pay You:

1. The difference between **Your Rental Income** as stated in the **Tenancy Agreement** in force immediately before the date of the damage insured by this section and any lower amount **You** accept from a **Tenant** during the period of repair.'

The property was used as a private rental for working professionals and the tenancy was provided on a standard short-term agreement. It seems all parties agree Mr C had tenants in situ prior to the insured event. And, due to the insured event (fire damage), the tenants moved out as they couldn't live there any longer. The loss adjuster appointed by Davies Group also reported the tenants moved out due to the fire damage as they didn't feel safe.

So, I think it's reasonable to conclude the tenants more likely than not would have remained in situ had the insured event not occurred. Therefore, I currently think the loss of rent section of the policy should have responded to Mr C's claim.

I'm aware Chaucer's final response letter from December 2022 doesn't make comment on the loss of rent aspect of the claim. But I'm satisfied it's fair and reasonable to include this point in my decision for consideration given both Mr C and his loss assessor informed Davies Group several times about the loss of rent concern prior to the final response letter.

The tenancy agreement we have on file was provided to Davies Group by Mr C's loss assessor. This sets out this agreement was a six-month fixed term contract which commenced on 18 September 2020 until 17 March 2021. And the total rent payable was £550 – not £700 Mr C claims.

The policy says loss of rent is the amount stated in the tenancy agreement in force immediately before the date of the damage insured by section one. Therefore, Mr C will need to provide a copy of the tenancy agreement that was in force during the time the claim incident occurred in order for this section of the policy to respond.

Mr C also says he discounted the rent by £100 when new tenants moved in on 30 November 2022. That's because repairs were ongoing. Again, I've not seen a copy of the tenancy

agreement that was in place with the new tenant showing the date the tenancy started, and evidence it was discounted by £100. The policy says Chaucer will also pay any lower amount accepted from a tenant during the period of repair.

So, in concluding, I currently intend to require Chaucer to cover Mr C's loss of rent between the period of 15 August 2022 when the tenants moved out due to the fire damage, to 30 November 2022 when the new tenants moved in at a rate of £100 less due to the need for ongoing repairs.

However, Mr C will need to evidence the previous tenancy agreement that was in place with the tenants that moved out due to the fire. He will also need to evidence the new tenancy agreement included a £100 reduction in the rent while repairs were ongoing. He will also need to provide evidence of the date repair works commenced and were completed. That's because I'd only expect Chaucer to cover the shortfall in rent between the period of repairs only, to their completion.

Mr C also requested Chaucer reimburse maintenance costs he incurred, such as works in the garden that became overgrown while the property was empty. But the property in my view was always going to have a period of unoccupancy while works were underway, and this was the result of the claim incident as opposed to delays caused by Chaucer. Therefore, I currently don't intend to require Chaucer to reimburse these maintenance costs back to Mr C.

My provisional decision

For the reasons I've mentioned above, my provisional decision is I uphold the complaint. I intend to require Chaucer Insurance Company Designated Activity Company to:

- Cover Mr C's loss of rent between 15 August 2022 to 29 November 2022 subject to Mr C providing a tenancy agreement covering the period when the claim-incident occurred. This needs to show the amount in rent he was receiving during this period.*
- Cover any lower amount Mr C accepted from the new tenants from 30 November 2022 during the period of repairs. This is also subject to Mr C providing evidence of the new tenancy agreement showing a £100 reduction in rent to reflect the discount to tenants while repairs were undertaken. Mr C must also provide evidence to show when the repair works started and completed, and Chaucer should only cover the difference in rent up to the period repairs were completed.*
- Include 8% simple interest on the loss of rent settlement, from the date the buildings claim was settled, to the date of settlement.'*

Responses to my provisional decision

Chaucer said it didn't have any further comments to make. Mr C didn't respond to my provisional decision within the deadline set. Nor did he respond to a follow-up email sent by our Service on 11 December 2023 inviting him to provide any further comments. Therefore, it's reasonable to conclude my decision on the basis Mr C also has nothing further to add at this stage.

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.

As Chaucer had no further comments for me to consider, and Mr C didn't respond, I see no reason to deviate from the decision I provisionally reached on 20 November 2022. So, I'll set out how the complaint should now be resolved subject to Mr C providing Chaucer with further information within a reasonable timeframe.

Putting things right

For the reasons I set out above, Chaucer must now:

- Cover Mr C's loss of rent between 15 August 2022 to 29 November 2022 subject to Mr C providing a tenancy agreement covering the period when the claim-incident occurred. This must show the amount in rent he was receiving during this period.
- Cover any lower amount Mr C accepted from new tenants from 30 November 2022 during the period of repairs. This is also subject to Mr C providing evidence of the tenancy agreement in place showing a £100 reduction in rent while repairs were ongoing. Mr C must also provide evidence to show when the repair works started and finished, and Chaucer should only cover the shortfall in rent up until the repairs were completed.
- Include 8% simple interest* on the loss of rent settlement, from the date the buildings claim was settled to the date of settlement.

My final decision

For the reasons I've set out above, my final decision is I uphold the complaint. I now require Chaucer Insurance Company Designated Activity Company to settle Mr C's complaint in line with my instructions above.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 15 January 2024.

Liam Hickey
Ombudsman