

The complaint

N has complained about the premium it was charged and an excess that was applied to its Residential Property Insurance policy with Ecclesiastical Insurance Office Plc at its renewal in August 2022.

N is represented by Mrs P, who is a director.

What happened

N suffered some water damage at the property it owns. This resulted in a claim in 2021, which Mrs P said was badly handled by Ecclesiastical. At renewal of N's policy in August 2022 Ecclesiastical applied a loading to the premium for N's policy and applied a £5,000 excess for water damage claims. Mrs P complained on behalf of N about this. She said that poor handling on the claim meant it was still outstanding at this renewal and this made the increase in the premium and the application of the excess unfair.

Ecclesiastical told us it dealt with a separate complaint by N about the delays on the claim, which was resolved by a payment of £300 in compensation. It issued a final response on N's complaint about the premium and the excess in September 2022. In this it said that the premium loading and excess were justified, but it would review the excess once the claim was concluded.

Mrs P wasn't happy about this and asked us to consider N's complaint. One of our investigators did this. She said it shouldn't be upheld. This was because she thought the evidence suggested Ecclesiastical had progressed the claim as much as it was able. And she was satisfied its decision to load the premium and apply the excess was reasonable.

Mrs P on behalf of N didn't agree. She said Ecclesiastical hadn't handled the claim properly and this caused it to become really costly and serious. She wanted an explanation as to why Ecclesiastical had taken on the claim when the damage was caused by the building next door. And she explained N had two separate ingresses of water, which have both been badly handled by Ecclesiastical.

I issued a provisional decision on 22 February 2024 in which I said I'd provisionally decided to uphold N's complaint because Ecclesiastical hadn't provided sufficient evidence to show it had progressed N's claim as quickly as it should have done. Or evidence to show that the outstanding claim from 2021 increased the risk of a further claim and to show that the terms it had applied at renewal in August 2022 were fair. I said I'd provisionally decided to make Ecclesiastical put the excess under N's policy for water damage claims back to the level it was at before renewal in 2022 and to remove the premium loading it applied at this time. I gave both parties until 7 March 2024 to provide further comments and evidence. N responded to say it had no further comments or evidence to provide.

Ecclesiastical responded in detail and provided a great deal of evidence to show that it had done everything it could to put itself in a position whereby it could progress N's claim from 2021. It also explained how and why it had increased the premium of N's policy at renewal in 2022. It also explained why it had increased the excess.

I then issued a second provisional decision on 13 March 2024 in which I set out what I'd provisionally decided and why as follows:

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, including considering the further comments and evidence provided by Ecclesiastical in response to my provisional decision, I've provisionally decided that N's complaint should not be upheld. This is on the basis that there is nothing Ecclesiastical could have done that would have meant that N's claim from 2021 would have concluded by renewal of its policy in 2022. It's also because I am now satisfied that the approach it took in underwriting N's policy at its renewal in 2022 was proportionate and in line with the underwriting rules for the scheme N's policy falls under. I appreciate this will be very disappointing news for N, especially after my previous provisional decision, but I've explained why I think this is the fair and reasonable outcome to N's complaint below in more detail.

It is clear the loss adjuster Ecclesiastical appointed at the outset didn't progress the claim N made in 2021 as quickly as they should have done. However, I'm now satisfied that once Ecclesiastical became aware of this, it was proactive and appointed a solicitor to take action against the owner of the neighbouring property in order to stop the root cause of the damage to N's property and enable repairs to be carried out. This has resulted in proceedings being issued against the owner for both damages and to obtain an injunction to force them to act. And these proceedings are still outstanding and a default judgement has been applied for.

So, I think it is fair to say that even with better handling at the beginning of the claim, there is no way Ecclesiastical could have been in a position to carry out repairs to N's property prior to the renewal of its policy in August 2022. And I do not consider the way it has handled the claim was inappropriate or has unnecessarily pushed up costs. It is now apparent that it was not possible to progress the claim and carry out the repairs to N's property due to the total lack of co-operation and action by the owner of the property next door to them, despite the best efforts of both N and its directors and Ecclesiastical.

This means that when N's policy came up for renewal in August 2022 Ecclesiastical was faced with a significant claim outstanding and the prospect of further claims for damage resulting from the lack of action by the owners of the property next to N. And I've now been provided with evidence by Ecclesiastical to show that under the rules of the scheme N's policy is under the renewal was referred to its senior underwriter for him to decide the terms.

And, I'm also satisfied that having fully considered the situation he took what was a fair commercial decision to offer renewal at the revised premium, which was just under £600 more than the 2021 premium with a £5,000 excess for water damage claims. As this was a commercial decision, I'd only interfere with it if I thought Ecclesiastical had acted unfairly or disproportionately. And from the evidence I've seen, I don't think it did. I'm satisfied the premium fairly reflected the risk Ecclesiastical was being asked to cover and that it was in line with the market generally. I can also see why Ecclesiastical applied such a large excess, bearing in mind it was clear to it the problem which had caused the claim N had made still existed. Ecclesiastical did offer to review the excess once the cause of the damage to N's property had been alleviated. And I think this means its approach with the excess overall was fair.

I think it is also worth me explaining that the reason the claim is against N's policy is that it claimed for damage to its property. And the normal process when this happens is for its insurer to deal with it and then recover all or part of its outlay from the responsible party if

they were negligent and if it is appropriate for it to do so.

In summary, I'm now satisfied that once Ecclesiastical established its loss adjuster had not progressed the claim N made in 2021 as quickly as they should have done, it took appropriate action. And I'm also satisfied that with the help of its solicitor it has done as much as could be expected to progress matters by taking action against the owners of the property next to N's property. This means I do not think a lack of action by Ecclesiastical or poor claim handling generally led to N facing a higher renewal premium and larger water damage excess when it renewed its policy in August 2022.

I'm also satisfied that the terms Ecclesiastical applied at renewal in August 2022 were proportionate and commensurate with the risk it was being asked to insure.

My provisional decision

It therefore follows that for the reasons set out above, I've provisionally decided not to uphold N's complaint about Ecclesiastical Insurance Office Plc.

I gave both parties until 27 March 2024 to provide further comments and evidence. I then extended this deadline to 9 April 2024 for N, as I provided some further information to it that it had requested.

Ecclesiastical hasn't any further comments or evidence. N hasn't provided any substantive comments or new evidence. It has simply said it cannot see how my second provisional decision is fair.

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 neither party as provided any further substantive comments or evidence following my second provisional decision. And, because I explained why I consider the outcome I set out is fair and reasonable in it, I see no reason to depart from what I provisionally decided.

My final decision

It therefore follows that for the reasons set out in my second provisional decision dated 13 March 2024 I've decided not to uphold N's complaint about Ecclesiastical Insurance Office Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 8 May 2024.

Robert Short
Ombudsman