

The complaint

Mr and Mrs G own a flat. They've complained about U K Insurance Limited (UKI) which provides property insurance for the block of flats. They think it delayed a claim for their flat, causing them upset and financial loss.

The freeholder of the building is the UKI policyholder. The policyholder used the managing agent for the block of flats (H) to handle the claim, for escape of water, with UKI on its behalf. UKI used a loss adjuster to manage the claim on its behalf. Much of the claim activity occurred between H and UKI's loss adjuster.

What happened

In February 2021 there was a leak in a flat situated above the flat Mr and Mrs G own. UKI began dealing with H in respect of a reinstatement claim for the property. In May 2021 Mr and Mrs G's tenant ended the tenancy and a claim for loss of rent (LOR) was put forwards. Whilst there was a request for an interim payment for three months LOR to be paid in August 2021, it was November before any payment was made. At that time UKI had just received Mr and Mrs G's bank details. It agreed and paid six-months LOR. Work to reinstate the flat completed in the early part of 2022 and Mr and Mrs G then requested a further LOR payment. This was made by UKI, for a further and final three months LOR, in September 2022.

Mr and Mrs G were unhappy about the time taken to settle the LOR claim. They felt the loss adjuster had failed to communicate with them, that he hadn't replied to direct contact from them. Mr and Mrs G felt there were claim costs for standing charges and council tax outstanding – they felt their policy did cover this and incorrect policy wording had been used to consider this aspect of their claim. They felt they'd been told incorrect information about the policy wording and whether or not certain things would be covered.

UKI, in a final response letter (FRL) dated 16 August 2023, said it hadn't seen that the loss adjuster had failed to communicate with Mr and Mrs G. It said it had paid, in October 2022, the disputed standing charges related to electricity and £200 compensation for delays it accepted had occurred regarding the second/final LOR payment. UKI said there didn't seem to have been any error in regards the wording for LOR, this hadn't changed. Regarding a question over electrical wiring UKI said it had never told Mr and Mrs G this could not be included as part of the claim. Regarding a concern about the length of time taken to resolve snagging, UKI said the contractor was an agent of H, so UKI felt it wasn't responsible for how that work was completed.

Mr and Mrs G were unhappy with UKI's reply and complained to this Service. They set out that there had been communication issues and a general mismanagement of the claim. They said UKI had failed to pay as per the policy requirements, which had caused them upset as well as impacting them financially.

Our Investigator noted that UKI had accepted there had been delays in paying the LOR claim. He felt the £200 compensation UKI had paid in this respect was fair and reasonable. He said he couldn't comment on the claim handling more generally because the policyholder

was not party to this complaint. He felt UKI had made reasonable settlements against the policy for LOR and had fairly declined to settle for council tax. He accepted there'd been some contact between the loss adjuster and H over the electricity drying costs – but felt the settlement UKI ultimately agreed resolved matters. He clarified with Mr G that his 'loss' regarding the wiring was that he'd had to pay for an electrical safety certificate and put this to UKI. He noted its reply, that such a certificate was always for Mr and Mrs G, in their role as landlords, to obtain. He wasn't minded to require UKI to do anything more.

Mr and Mrs G remained unhappy. They said though that really this complaint had never been about compensation, it had been about finding out the cause of delays and misinformation – they wanted the claim investigating and explanations to be obtained, such as in respect of the electricity costs. They didn't think that had happened. Following further correspondence between Mr and Mrs G and our Investigator, the complaint was referred for an Ombudsman's 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, with regret for any disappointment I know this will cause Mr and Mrs G, I find I agree with the outcome reached by our Investigator. My decision explains my views on the complaint – but like our Investigator I'm not minded to provide detailed answers or explanations for each of the complaint points Mr and Mrs G have raised. As our Investigator explained this is an informal service and our focus, once a failure is established, is on considering whether an insurer has reasonably made up for that failure or if something more is required. Our focus also must be on the complaint between the parties at hand – so we can't look at how UKI dealt with H as the agent of the policyholder.

Mr and Mrs G were entitled to certain settlements under this policy, but they were not the policyholder. I'm satisfied that UKI's main duty was to the policyholder and it was the agent of the policyholder it was dealing with on the claim as a whole. I've considered what the parties have said about contact between Mr G and UKI's loss adjuster. I've not seen anything which makes me think the loss adjuster should reasonably have generally been replying to Mr G but didn't do so. I see that Mr G sent one email to the loss adjuster – chasing the LOR payment – for which he only received an out of office reply. But I'm satisfied that the loss adjuster, once he was working again, did progress the LOR payment and updated H of the same. I'm not persuaded UKI failed Mr and Mrs G in respect of communicating with them.

I know Mr and Mrs G feel UKI failed them as they think the LOR settlement should have covered utility standing charges and council tax. I also know that UKI settled for standing charges associated with electricity used to dry the property. I've considered that Mr G thinks the policy gives cover for service charges and that UKI says this policy has never given that cover – that is only included for commercial premises, not residential ones as is the case here. But also that UKI says, in any event, that council tax and standing charges are not service charges. I think all of that makes sense and is, therefore, fair and reasonable. I'm not persuaded that UKI has done anything wrong in settling matters as it has.

UKI has accepted that the settlement for LOR, at least regarding the second payment, was delayed. From Mr and Mrs G's perspective they began incurring a loss in May 2021 when their tenant left, and UKI's final settlement was not made until September 2022. So, taking that at face value I can understand why Mr and Mrs G are unhappy. But I'm mindful that it was once UKI had received Mr and Mrs G's bank details, in November 2021, that it settled for their loss caused to that point. I couldn't reasonably have expected it to settle sooner.

The final payment was then only made the following year. The indications from UKI are that it accepted this payment had been delayed by a few months before being finally paid in September 2022. The delay was to allow the final claim payments to be made together, but UKI also seems to accept, with hindsight, that it should have been paid independently, and therefore, earlier. I think that is reasonable. A claim like this will always be more complicated and, therefore, take an insurer more time to progress. I'm satisfied that UKI unreasonably delayed settling this part of the LOR claim by only a few months.

I know Mr and Mrs G said this affected them financially as well as causing them worry. I appreciate they were without three months' rent for longer than they should have been. I also understand that they've said they had to put a lot of time and effort in, in order to get the payment. But I'm mindful that much of that was spent dealing with H – and H was not an agent of UKI. I also bear in mind though that the three months outstanding rent was only partially responsible for the financial pressure they felt. Some of that pressure was caused on account of the other charges and costs they believed UKI's settlement for LOR should have included but did not. I think that, given the short period due to UKI's delays, during which the settlement for the actual rent lost was outstanding, UKI's payment of £200 compensation fairly and reasonably makes up for the impact suffered by Mr and Mrs G.

I understand that one of the issues the loss adjuster had been trying to resolve before settling the LOR claim was the dispute over settlement for electricity costs incurred for drying the flat. H had forwarded Mr and Mrs G's bills to the loss adjuster but both H and the adjuster seemed to agree that only part of the costs shown in the bill were reasonably claimable – those attributable to the units of electricity used in drying the property. Ultimately though, with only a difference of around £140 in dispute, UKI did settle for the bill in full. I think that was fair and reasonable of it. I know Mr G would like to understand why the bill wasn't accepted when, he says, some incorrect evidence of charges from H were. But the nub of the issue – with a fair outcome ultimately being provided by UKI – was as I've set out here. I'm satisfied this reasonably answers this issue of concern.

Regarding electrical wiring, Mr and Mrs G's initial concern raised to UKI was that they'd been told this was a 'fitting' of the flat, not a fixture – and so not covered by the policy. They felt this was an unfair interpretation. UKI's final response in this respect said it had never said the wiring was not included. I think that potentially meant UKI had acknowledged some potential liability for any loss. But when our Investigator sought to clarify the extent of that loss, Mr and Mrs G replied that they'd had to pay for an electrical safety certificate. UKI said it wouldn't cover the cost of this – it said the repairs were minor and did not require a safety certificate to be issued. It noted such was likely required by Mr and Mrs G in the normal course of them letting the property. I've not seen anything which makes me think UKI's response in this respect is unreasonable. I think its answer in its FRL about fixtures and fittings was reasonable and I've seen nothing which makes me think a failure by it has caused Mr and Mrs G a financial loss.

My final decision

I don't uphold this complaint. I don't make any award against U K Insurance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs G to accept or reject my decision before 30 October 2024.

Fiona Robinson
Ombudsman