

The complaint

L, a limited company, complains that U K Insurance Limited ('UKI') accepted a claim under a property owners insurance policy, and that this led to an increase in their premiums.

Any reference to UKI includes the actions of its agents.

What happened

L holds a block insurance policy underwritten by UKI that covers a number of flats. L is the Right to Manage company set up by the owners of the flats. One of L's responsibilities is to arrange the insurance for the buildings, and so L is the named insured (policyholder) on the policy schedule.

In December 2022, the policy was due for renewal. At this point, L discovered a large claim had been made which they hadn't been told about. This affected the premiums for 2023 and 2024, and later led to an increased excess for escape of water claims. They complained to UKI and raised several concerns, including the following: -

- They thought UKI shouldn't have accepted the claim as the flat was in poor condition.
- UKI didn't initially tell them about the claim, and once L learnt about it, there was poor communication from UKI.
- The tenants didn't move out of the property, despite UKI paying for alternative accommodation. And the flat owner rented out the property to new tenants despite claiming alternative accommodation costs for the previous tenants.
- L wanted UKI to reimburse the additional premium charged, and to remove the claim from its records.

UKI issued its final response to the complaint. It acknowledged it ought to have made L aware of the claim and explained the loss adjuster hadn't been aware of the requirement to do so. It also accepted it should have maintained closer contact with L so their expectations could have been managed in relation to the claim costs. UKI addressed L's further concerns, and explained that as it had paid the claim, it wouldn't be reimbursing any of the premium or removing the claim from its records. Unhappy with this, L brought a complaint to this service.

Our investigator didn't recommend the complaint be upheld. He thought UKI had addressed the points that L had made, and he was satisfied that UKI had properly investigated and dealt with the claim.

L didn't accept our investigator's findings and so the matter has been passed to me for a 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.

UKI has explained to L that the condition of the flat didn't raise any underwriting concerns. UKI concluded that the claim was valid and therefore accepted it, as it is required to do under the policy terms. I don't find that UKI did anything wrong by accepting the claim.

The policy says that for claims not exceeding £25,000, each Insured Party that hasn't made the claim will only be consulted if the damage is not reinstated. The policy is silent in respect of claim notification to the Insured when a claim exceeds £25,000. Nonetheless, UKI accepts that it ought to have had contact with L so their expectations would be managed in relation to the claim amount. Though even if this had happened, the outcome of the claim and the amount spent on the claim likely wouldn't have been any different.

L says that UKI has failed to investigate potential fraud as they think the flat owner received rent whilst the alternative accommodation costs were being paid. UKI explained the tenant remained in the property until the claim was made, and also said there was no evidence that tenants were living in the property after this. They quite reasonably pointed out that the property had been partially stripped out and wasn't habitable. I don't think UKI needed to investigate this further.

L is unhappy with the length of time it took for the claim to be dealt with. I've looked into what happened. The claim was complicated by a second escape of water which meant further stripping out needed to take place, and the property took a long time to dry. I see there was a delay with the initial contractor, but once it became apparent that they weren't going to do the repairs, UKI arranged for another contractor to do the work, as I'd expect. So, whilst the claim was ongoing for some time, I don't think UKI was responsible any unnecessary delays with the progression of the claim. I note that UKI accepts there was a three-month delay with a payment, but the property was still drying out at that time, so this delay didn't make a difference to the claim.

L has queried the high cost of alternative accommodation. They are aware that UKI initially placed the tenant in a serviced apartment as the repairs weren't expected to take very long. However, the tenant became vulnerable and UKI took steps to accommodate them, which led to an increased cost in accommodation. I don't think UKI did anything wrong here, given the unusual circumstances.

L say they were forced to renew the policy with UKI in 2024 because the claim remained open, despite the repairs being complete.

I see UKI's loss adjuster's file closed at the end November 2023, but the claim itself wasn't closed by UKI until February 2024. I asked UKI about this, and it has explained the claim remained open because L had raised concerns about the payments made under the claim which were being considered. UKI has confirmed it's normal practice for it to do so. That doesn't seem unreasonable, though I have also checked if UKI's 2024 renewal premium would have been less if the claim had been closed, and UKI has confirmed it would not have been. I don't know if L could have got cheaper cover elsewhere if the claim had been closed before the end of 2023, but I don't think UKI acted unreasonably here.

Overall, whilst I can appreciate L's frustration that the high claim costs impacted their premiums for 2023 and 2024, I find that UKI accepted a valid claim and dealt with it reasonably. I therefore don't require UKI to remove the claim from its records or reimburse the increased premium charged.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 24 December 2024.

Chantelle Hurn-Ryan
Ombudsman