

The complaint

Mr B is a sole trader. He complains HDI Global Specialty SE turned down a claim he made on his business protection insurance policy.

All references to HDI include its agents and claims handlers.

What happened

In October 2021 Mr B contacted HDI to make a damage claim as he'd spilt a basin of water into a minilab printer when cleaning. Following investigation, HDI declined the claim in January 2022. It thought Mr B tripped when returning to the printer which caused the basin he'd left on top of it to tip into it. It didn't think he'd taken reasonable precautions to prevent the loss or complied with the manufacturer's instructions (which said water shouldn't be placed on the printer).

Mr B disputed the basin had been on the printer and said it had been on a shelf behind it. HDI arranged an interview with him to discuss matters further. In that Mr B said the damage was caused when he tripped on his laces and put out his hand to save himself and "*the first thing to hand was the shelf*". He returned the signed statement in June 2022.

In January 2024 HDI said the policy only provided cover for insured perils. And having reviewed the information Mr B provided it didn't think the loss could have taken place in the way he described. So it didn't think he'd shown it resulted from an insured peril. It said it wouldn't be providing cover for his claim.

Our investigator thought, whether the basin was on the printer or the shelf, HDI was right to say Mr B hadn't taken reasonable precautions and turn down his claim on that basis. But she identified significant delay by HDI in reaching that decision, particularly after Mr B had returned his signed statement. She said it should pay £750 in recognition of the impact of that on him.

Mr B didn't agree. He reiterated the basin was on the shelf and not the printer and provided a photograph on which he indicated its location. HDI didn't respond despite being chased a number of times. So I need to reach a final 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.

The relevant rules and industry guidelines say HDI has a responsibility to handle claims promptly and fairly. It shouldn't reject a claim unreasonably. And the terms and conditions of Mr B's policy say "*we will cover You for Damage occurring during the Period of Insurance to...Contents and Stock whilst at the Premises*". Contents is defined as "*the contents, business equipment, machinery, plant and equipment at the Premises, which You own or which You are responsible for*". And damage is defined as "*physical loss, damage or destruction*".

In its most recent response HDI said it was declining the claim because it didn't think the loss could have taken place in the way Mr B described. And it suggested as a result it hadn't been caused by an insured peril. But I don't think there's any dispute that damage (as defined in the policy) was caused to the printer. So I think an event to which the policy could potentially respond has taken place.

However, I appreciate in other correspondence HDI said it didn't think the claim should be covered because Mr B didn't take reasonable precautions to prevent the loss. And the policy says "*you must...take all reasonable precautions to prevent or minimise the likelihood of any act, incident or event that could lead to a claim under this Policy*". It also requires an insured to "*comply with all relevant legal requirements, manufacturers' recommendations and other regulations relating to the use, inspection and safety of property and people*".

Taking into account the relevant law I think it would be fair to say a policyholder wouldn't have taken reasonable precautions if they recognised a risk and didn't take any steps to lower that risk or took steps they knew or should have known were inadequate. In this case HDI initially turned down the claim because it believed Mr B had left a basin of water on the printer and then knocked this into it when he tripped on returning to it. I can see that version of events was based on the evidence of the loss adjuster who visited the premises and spoke to Mr B.

I don't think it was unreasonable of HDI to say if the damage was caused in that way Mr B was in breach of the policy condition as it relates to reasonable precautions. In particular I think it's relevant the basin contained around five litres of water, which is a significant amount, and the manufacturer's instructions specifically warn against placing water on top of a printer because of the risk of damage that creates.

But I appreciate in subsequent correspondence Mr B disputed he'd ever told the loss adjuster the basin was on top of the printer. And in his statement to HDI he said it was on a shelf about 10 inches above and over the printer. The damage happened when he tripped on his laces and put out his hand to save himself and "*the first thing to hand was the shelf*". And that caused the water to fall into the printer.

However, I do share the concerns HDI expressed as to how Mr B would have come into contact with the shelf if he'd stumbled when returning to the printer. From the photographs I've seen if he tripped as he recalls it's more likely his contact would have been with printer and not the shelf. But even if he's right as to how the damage occurred my view is that HDI can still fairly turn down his claim.

That's because I think any contact he did have would only have caused the basin to fall if it was close to the edge of the shelf making it more liable to topple. I appreciate in his statement Mr B says the whole of the basin was on the shelf but the photographs taken by the loss adjuster soon after the incident, and on which Mr B has indicated the position of the basin, show other boxes at the rear of the shelf. So the basin could only have been placed in front of them. I don't think there's enough space to do that securely and in his statement Mr B couldn't explain why the photographs didn't show there was.

In my view placing a basin containing five litres of water, in inadequate space, on an already full shelf directly above electronic equipment couldn't reasonably be said to comply with the policy requirements as they relate to taking reasonable precautions. In fact I think it's likely to have increased the risk of loss occurring. So I don't think it was unreasonable or unfair of HDI to conclude Mr B hadn't met the terms and conditions of his policy and turn down his claim on that basis.

However, I do agree there were significant delays by HDI in reaching that decision. In particular there appears to have been little progress on the claim between June 2022 and January 2024. I can see during that period HDI was seeking to resolve a number of concerns but, as these didn't impact the decision it then reached, I don't see they would have prevented it from doing that much earlier.

I appreciate that will have been frustrating for Mr B and I recognise he asked for updates on many occasions during this period without receiving any meaningful response. Taking that and the extent of the delay into account I think the £750 our investigator recommended is a reasonable way of recognising the impact on Mr B of what HDI got wrong.

My final decision

I've decided to uphold this complaint. HDI Global Specialty SE will need to put things right by paying Mr B £750.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 14 August 2024.

James Park
Ombudsman