

The complaint

A limited company, which I will refer to as H, complains about the handling and settlement of its commercial buildings insurance claim by Accelerant Insurance Limited.

What happened

The following is intended only as a brief summary of events. Additionally, whilst various other parties have been involved from both sides, for the sake of simplicity, I have largely just referred to H and Accelerant.

H is a commercial property owner, and had a commercial property insurance policy underwritten by Accelerant. Following a fire at H's property in early 2021, a claim was submitted to Accelerant for the damage caused and resultant loss of rent.

Accelerant ultimately accepted that there was a valid claim and paid some initial costs in the region of £140,000. A number of quotes for the rest of the works were obtained in February/March 2022. However, Accelerant did not authorise a settlement based on these quotes for some time. By the time it did provide authorisation, the quotes had expired, and costs had increased. Further quotes were obtained in August/September 2022.

According to the quote obtained by Accelerant at this point, the cost of the outstanding works was around £343,500. Added to this were some additional surveyors costs that Accelerant agreed to, bringing the total cost for damage repairs (including that already paid) to just under £500,000. This sum did not however include all the costs for scaffolding that had accrued. At the time, the charge for these was over £50,000, though H managed to negotiate this down at this point to £30,000. As the sum insured for the property was £517,500, Accelerant offered this amount to settle this part of the claim. It should be noted that H ultimately negotiated the scaffolding charges down to £20,000.

H had also suffered a loss of rent over this period. Accelerant made payments for this, under the loss of rent section of the claim, in October 2022 and then in February 2023.

H complained about the value of the settlement, the time taken to make these settlements, and the general handling of the claim. Accelerant offered H £3,000 to reflect these issues, but said that the damage settlement was the maximum payable under H's policy and that the loss of rent payment covered H's losses here.

H brought its complaint to the Financial Ombudsman Service. Our Investigator essentially thought the payments made were appropriate, but that they ought to have been made earlier in the process. So, he recommended Accelerant pay interest on these at a rate of 8% simple for the intervening period. He did think the £3,000 compensation offered was reasonable though.

H disagreed and said that Accelerant should pay more for both the claim values and the compensation. As our Investigator was unable to resolve the complaint, it was passed to me for

a decision.

I contacted both parties, explaining that I did not consider the £517,500 cap on the claim value ought to be applied in the circumstances. This was because the increase in costs between April 2022 – when Accelerant ought to have authorised the settlement – and September 2022 was due to Accelerant's failure to progress the claim appropriately. So, I thought this increase ought to be considered a consequential loss of this failure, rather than strictly as a part of the claim settlement. I also explained that it wasn't clear to me that the final quotes included all of the required works. And I considered the damage settlement ought to have been £542,000.

However, based on the information provided by Accelerant, it was also clear that the loss of rent settlement had been overpaid by around £17,000. So, I thought the overall shortfall in the settlement across the claim was around £7,500.

I did think that some interest was payable. However, I didn't think this ought to be paid on the entire claim settlement.

I explained that the reason the Ombudsman Service says that interest should be payable on a sum that the customer has not received when they ought to have, is to take into account the financial detriment of not having had that money. However, in this case, the financial detriment of H not having received the claim settlement in April 2022 is that the costs of reinstatement then increased. And that as I was minded to consider Accelerant ought to pay these increased costs as a consequential loss, it follows that this covers the financial detriment of not having received claim settlement earlier. So, I was minded to conclude that no interest would be payable on this sum.

I did think that interest ought to be payable on the 'consequential loss' element of the buildings claim and on the loss of rent payments.

However, I explained I thought Accelerant's offer of £3,000 compensation was fair and reasonable in the circumstances.

Both parties responded, providing further information and comments. Following this, I wrote to H explaining that my thinking above had changed somewhat. I explained that Accelerant had clarified that the September 2022 quote it had obtained did cover all of the outstanding works, and pointed to a schedule of works that H had been provided that set this out. This meant that the full cost of the building part of the claim ought to have been settled at around £520,000. I explained that whilst this meant that there was a slight underpayment of this element of the claim, the overpayment of the loss of rent claim meant that, overall, Accelerant had overpaid the claim by more than £15,000.

So, I thought that this, along with the £3,000 compensation already offered, meant that Accelerant didn't need to do any more than this.

I asked H for any further comments that it had. But I have not received anything further.

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, I am upholding this complaint in part.

As referred to above and explained to the parties in detail, whilst it is clear this claim ought to

have been handled better, Accelerant has ultimately overpaid the settlement by over £15,000. And, by increasing the settlement offer in September 2022 to take into account the increase in the cost of works since April 2022, Accelerant has addressed the issue of H being without this money for this period.

I do consider H ought to have been paid some of this settlement earlier than it was, and that this has not been fully taken into account. Accelerant has said that the claim for loss of rent was not presented by H at an early stage, and I do think there was some responsibility on H to have mitigated its losses here and to have acted to progress this part of the claim itself. Accelerant ought reasonably to have done more in this aspect as well though. And I do consider that payments ought to have been made sooner and more regularly.

In circumstances where there has been a delay in making a payment, that has not already been factored into the settlement itself, I consider interest should be paid by the respondent firm on the amount that ought to have been paid earlier. I consider that the starting point is that this interest should be calculated at a rate of 8% simple per annum. And I have seen nothing to persuade me that a different rate ought to be used in this complaint.

That said, it is necessary to consider the fact this claim has already been overpaid by around £15,000. Any interest on the delayed loss of rent payments and the small amount of underpayment on the buildings claim would fall far short of this sum.

So, overall, I do not consider Accelerant can fairly and reasonably be asked to increase the settlement paid.

Accelerant has offered £3,000 compensation, as it recognised the claim was not handled correctly. I consider this to be fair and reasonable. H has said that it spent considerable time dealing with this claim and complaint, and that this work was carried out by senior staff. I do not doubt that just having a claim of this nature would have caused H significant inconvenience. However, it is only the additional inconvenience caused by Accelerant's failures that I can take into account when thinking about compensation. Taking into account the specific offer of compensation, and the overpayment of the claim, I cannot fairly and reasonably direct Accelerant to do more.

Putting things right

If it has not already done so, Accelerant Insurance Limited should pay H £3,000 compensation for the avoidable inconvenience caused.

My final decision

My final decision is that I uphold this complaint. Accelerant Insurance Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 26 November 2024.

Sam Thomas
Ombudsman