

The complaint

Mr and Mrs R have complained about Royal & Sun Alliance Insurance Limited (RSA) decision to treat their claim under their landlord's insurance policy for damage to a property they rent out as fraudulent.

Any reference to RSA includes its agents.

What happened

Mr and Mrs R made a claim following an escape of water in 2023 which caused damage to the kitchen at a property they own and rent out. RSA asked them to provide a quote for the repairs. They provided this and it included replacing the worksurfaces. RSA then made a settlement offer which Mr and Mrs R accepted. And RSA then paid around half the settlement amount. It then realised Mr and Mrs R had made a previous claim for water damage to the kitchen in 2018 and part of the settlement for this claim included an amount to replace the worksurfaces. RSA investigated this further and discovered Mr and Mrs R hadn't actually replaced the worksurfaces as part of the previous repair. In view of this, RSA said Mr and Mrs R had exaggerated their existing claim. So they marked it as fraudulent, refused to pay the balance of the settlement and said it would recover the amount it had already paid.

Mr and Mrs R weren't happy about RSA's approach and complained. But RSA wouldn't alter its position. So they asked us to consider their complaint. One of our investigators did this and said it should be upheld. He didn't think RSA had proved Mr and Mrs R had exaggerated their claim and suggested RSA should remove the fraud marker on it and settle their claim in full.

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've decided to uphold it for the same reasons as our investigator.

RSA would have the right to refuse a deliberately exaggerated claim and cancel Mr and Mrs R's policy because of it. However, it is for RSA to prove on the balance of probabilities, i.e. that it is more likely than not, that Mr and Mrs R deliberately exaggerated their claim to gain a financial advantage. And I don't think it has done so. Mr R has explained how after receiving the settlement on their previous claim, which included the cost of replacing the worksurfaces, the worksurfaces dried out and were salvaged, as opposed to being replaced. And I presume from what he has said that the existing worksurfaces remained in place until they were damaged by the escape of water in 2023. As I see it there was no requirement for Mr and Mrs R to use the full cash settlement they received to repair the kitchen at their property in 2018. All the cash settlement was intended to do was to give them the financial means to fully repair the kitchen. If RSA wanted to ensure the repairs to the kitchen were completed exactly according to the estimate Mr R had provided it could have insisted Mr and Mrs R provided evidence to show this had happened. Although, this

would not be what I would describe as normal industry practice. Under normal circumstances once an insurer has made a cash settlement it's happy to leave it to the policyholder to decide what to do with the money.

So, having left the existing worksurfaces in place as they'd dried out, Mr and Mrs R were – in my opinion – perfectly entitled to claim for further damage to them. And RSA hasn't provided any compelling evidence to show the worksurfaces weren't damaged again as part of the escape of water in 2023. In fact, the evidence its provided suggests they were. In view of this, I do not consider RSA has proved Mr and Mrs R exaggerated their claim in 2023 by claiming for the worksurfaces. And I don't think the fact that Mr R agreed to withdraw the worksurfaces from his claim when it was pointed out to him that he'd had a previous settlement amount including the cost of replacing them suggests Mr R accepted the 2023 claim was exaggerated. In my opinion, all this shows is that Mr R understood he'd already had an amount to replace the worksurfaces previously and may have thought this meant he wasn't entitled to a further amount for them. This wasn't the case, but I can see why Mr R may have thought it was.

RSA also suggested Mr and Mrs R's attempt to get the balance of the settlement amount on the 2023 claim paid before the works to the kitchen were completed was fraudulent. But, having reviewed RSA's claims notes, I can't see anything to suggest Mr R ever suggested all the works had been completed when he asked for a further payment. He simply asked for the full settlement amount to be paid. So, I do not consider RSA has proved fraud in this respect either.

I consider RSA's approach to Mr and Mrs R's claim in accusing them of fraud, despite a plausible explanation from Mr R on why he'd claimed for the worksurfaces again, was heavy handed and unnecessary. And I agree with our investigator that this caused Mr and Mrs R distress and inconvenience and that they should receive £450 in compensation for this.

Also, I don't think RSA acted reasonably in cancelling Mr and Mrs R's policy. And I assume it didn't refund the balance of the premium when it did so. This means Mr and Mrs R lost the benefit of the cover for the remainder of the policy period. So, RSA should refund the premium for this period.

Putting things right

It therefore follows that for the reasons explained above, I think RSA's decision to treat Mr and Mrs R's claim as fraudulent and void their policy was unreasonable and unfair. In view of this, I've decided to uphold Mr and Mrs R's complaint and make RSA do the following:

- Remove any fraud markers against Mr and Mrs R or their 2023 claim from its records and any central databases it has placed them on.
- Refund the balance of the premium on Mr and Mrs R's policy for the period after it was cancelled.
- Settle their claim in full in accordance with the claims settlement terms in the policy.
- Pay interest on any further amount due to Mr and Mrs R at 8% per annum simple from one month after they made their claim to the date of payment. This is to compensate them for being without these funds.
- Stop any action to recover what it has already paid on Mr and Mrs R's claim.
- Pay Mr and Mrs R £450 in compensation for the distress and inconvenience they've experienced.

My final decision

I uphold Mr and Mrs R's complaint about Royal & Sun Alliance Insurance Limited and require it to do what I've set out above in the 'Putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R and Mrs R to accept or reject my decision before 19 December 2024.

Robert Short
Ombudsman