

The complaint

Mr and Mrs W are unhappy with the way Arthur J. Gallagher Insurance Brokers Limited ("AJG") administered a commercial property investors policy.

What happened

Below is intended to be a summary of what happened and does not therefore include a full timeline or list every point that has been made.

Mr and Mrs W were looking to purchase a new property and phoned AJG for a quote to add the property to an existing policy they had. During the quote process Mr and Mrs W were asked if they would be renting the property to professional tenants, which they confirmed. When Mr and Mrs W bought the property, they phoned again to put it on cover with AJG, no further questions were asked about its occupancy. AJG did not however send out updated policy documentation to them.

A few months later Mr and Mrs W called AJG to enquire whether benefits assisted tenants would be acceptable to the underwriter of the policy. At that point, AJG realised the property had been unoccupied since purchase, and because of this, the underwriter of the policy would have requested a higher premium originally.

Mr and Mrs W are unhappy with the way in which the policy has been handled, they are also unhappy with the length of time it took for AJG to confirm if the tenants were acceptable. They believe this lost them two weeks rent and they've explained that they believe that due to AJG's mistake the property was uninsured.

In responding to Mr and Mrs W's complaints AJG admitted it forgot to send the updated policy documents to Mr and Mrs W and that it could have potentially asked more questions about the occupancy of the property when putting it on cover. However, it explained the policy was set up based on the answers that were given. AJG further explained that it dealt with Mr and Mrs W's query about the proposed tenants in a timely manner, it needed to relay questions and answers between the underwriter and Mr and Mrs W before a definitive answer could be given. It also explained that the unoccupancy issue was also being dealt with at this time. AJG did however apologise for the fact there was a two working day delay in updating Mr and Mrs W of the underwriter's decision, and that they had to chase for this.

Mr and Mrs W were unhappy with AJG's response so an investigator here considered the complaint. He explained to Mr and Mrs W that the policy cover would have always needed to have been corrected and he was satisfied that had this been correct from the start, they would have always needed to pay a higher premium to reflect the unoccupancy of the property. He also said that he thought AJG had dealt with the query about the tenants in a timely manner, it wouldn't have been the instant answer Mr and Mrs W expected it to be. Because of this, he didn't think AJG needed to pay any lost rent for this period. The investigator did however conclude that he thought AJG's poor service had caused Mr and Mrs W inconvenience and thought it should pay them £100 compensation.

Mr and Mrs W accepted the investigator's opinion, but AJG did not. AJG requested an ombudsman look at the complaint and issue a final decision.

The case has been passed to me to decide.

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 agree with the conclusions reached by the investigator for the following reasons:

- Having listened to the telephone calls between AJG and Mr and Mrs W, I accept they answered in a positive way to a question, at quotation stage, about whether they intended to rent the property out. And that does appear to be the case, as it was later rented. However, the true position was that it was unoccupied immediately after purchase until redecoration was completed and tenants were found.
- I do think AJG could have done more to confirm the occupancy of the property when it was put on cover. This would have prevented this situation arising and the inconvenience to Mr and Mrs W of having to liaise with AJG about this at a later stage.
- The fact no updated policy documents were sent, also meant that Mr and Mrs W weren't able to realise this mistake earlier.
- The property was insured contrary to what Mr and Mrs W have thought; however, it is simply the cover would have been limited to Fire, Lightening, Explosion and Aircraft risks for the unoccupied period. This isn't an unusual level of cover for unoccupied properties, so I don't think they were put in a detrimental position due to the error made.
- I think AJG dealt with their later tenant enquiries in a timely way. I haven't identified any avoidable delay other than that which AJG highlighted – that it could have updated Mr and Mrs W with the insurers position straight away. However, a delay of a few days here doesn't mean I think AJG should then become liable for a potential loss of rent payment. I acknowledge however it meant Mr and Mrs W had to chase for an answer.
- Overall, I do think there was an element of poor service from AJG which, had it not occurred, would have prevented this situation arising and Mr and Mrs W being caused inconvenience. To reflect this, AJG should pay Mr and Mrs W £100 compensation.

For the reasons above, I uphold this complaint.

My final decision

My final decision is that I uphold Mr and Mrs W's complaint against Arthur J. Gallagher Insurance Brokers Limited. I direct it to pay Mr and Mrs W £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs W to accept or reject my decision before 29 November 2024.

Alison Gore
Ombudsman