

The complaint

S, a limited company, complains about Chaucer Insurance Company Designated Activity Company's (Chaucer's) decision to void a marine liability policy shortly after a claim was made.

Any references to Chaucer include its agents. S' complaint has been brought by Mr R-S, so for ease I'll refer to him throughout the decision.

What happened

S held a policy with Chaucer which covered the leased warehouse in which it stored its stock. The policy was taken out in November 2022, but S gave notice it intended to cancel the policy in early 2023. The cancellation was due to come into effect on 16 March 2023. Between 10 and 13 March 2023, there was an escape of water in the warehouse from which S operated, causing damage to some of the stock held there. Mr R-S made a claim to Chaucer, who carried out an inspection.

There was some dispute about the premiums due. Mr R-S says they were told they needed to pay back in excess of £16,000 which Chaucer says was the remaining premium which would have been due had the policy not been cancelled. Mr R-S says this was very concerning and S was under time pressure to repay this amount and didn't consider the policy terms made the need to pay the outstanding premiums for the rest of the policy term clear.

In May 2023 Chaucer told Mr R-S it would void the policy and refund the premiums paid. Mr R-S says S needed to explore its options around recovering some of the losses incurred as a result of the damaged stock and sought legal advice with a view to trying to recover their costs from the landlord of the warehouse.

Mr R-S made a complaint to Chaucer, and they sent their final response in March 2024. Chaucer said it shouldn't have voided the policy from inception, but on a pro-rata basis as some of the premiums for the policy year had been paid. Had it taken this approach, the claim could have been considered as the event occurred while the policy would have been in effect. Chaucer said if S paid back the premium, it would consider the claim. They also offered £500 for the inconvenience S experienced.

Unhappy with the offer from Chaucer, Mr R-S referred S' claim to this service. He said to put things right, he wanted Chaucer to cover the legal fees S incurred and pay compensation for both the impact Chaucer's handling of the matter had on them and in recognition of the damage it had caused to S' reputation. These concerns were considered by one of our investigators who said the offer from Chaucer was fair in the circumstances.

Mr R-S didn't agree, so this matter 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.

Mr R-S feels very strongly S has been treated badly by Chaucer and their actions should be taken seriously. I've done so in this decision. We're not a regulator, our role isn't to punish a financial business for doing something wrong. My remit – and the role of the Financial Ombudsman Service - is to reach an outcome we find fair and reasonable in the circumstances of a complaint.

I'd like to reassure Mr R-S that while I've summarised the background to this complaint and his submissions to us, I've carefully considered all that's been said and sent. In this decision though, I haven't commented on each point that's been made and nor do our rules require me to. Instead, I've focused on what I think are the key issues. In doing so, I've reached the same conclusion as the investigator, and for the same reasons which I'll set out below.

I've started by considering the contents of the final response letter sent by Chaucer in March 2024. Chaucer said they don't consider they took the correct steps in respect of voiding the policy when the remainder of the premium wasn't paid. They're now offering to consider a claim made for the period the insurance was in place (26 November 2022 to 14 March 2023) if the premium owed for this period is returned to Chaucer.

I consider this to be a reasonable offer from Chaucer, in that it's not asking for the entire years' premium to be paid in order to consider a claim, but instead is taking a pro-rata approach. Asking for a premium to be paid in return for cover to be provided by a policy is fair. I appreciate Mr R-S has expressed concern that any claim made may not be dealt with as he hopes, but we can't know the outcome of any claim that might be presented, at the current time. Chaucer would need to consider any claim submitted in line with the policy terms and conditions. It's now for S to decide if repaying the premium required to submit a claim is an option it'd like to take up.

Mr R-S says Chaucer's decision to cancel the policy meant S had no other option but to pursue the landlord of the warehouse in a bid to recoup some of the costs incurred following the escape of water. And he says there's also been significant disruption to S' business and damage to its reputation.

I'll turn firstly to the costs Mr R-S says S has incurred. In order for me to require Chaucer to reimburse any of the costs incurred, including legal fees, I'd need to be persuaded any costs were incurred as a direct consequence of Chaucer voiding the policy. I've therefore gone on to consider the detail on the invoices, along with the comments from both Mr R-S and Chaucer.

As our investigator set out, there's quite a lot of uncertainty about what would have happened had Chaucer considered the claim when first notified. It's possible Chaucer would have settled the claim (either fully or partially), or it might have declined the claim. And, even if a claim settlement had been offered, it may not have been what S considered appropriate and they may still have sought legal advice in relation to taking action against the landlord.

From what I can see on the invoices provided, the majority of these seem to be in relation to pursuing the landlord of the warehouse. I can't see any reference to Chaucer, or the cancelled policy detailed on any of the invoices for the legal costs. As I've said, it's possible that even if the claim had been considered, S may still have decided to take legal action against their landlord, and this could have been for any number of reasons. I'm not persuaded the information provided shows the legal fees were incurred as a direct result of Chaucer voiding the policy held by S, so I'm not going to require Chaucer to refund these fees.

Mr S has talked about the steps S needed to take, which he says were as a result of Chaucer cancelling the policy. He says S should be compensated for the inconvenience experienced, such as dealing with solicitors, surveyors, and this Service. This was along with having to work around dehumidifiers at the same time as moving and arranging stock. Whilst I don't underestimate the impact this had on S and its employees, many of these steps and interactions are likely as a direct result of the escape of water, not as a result of Chaucer voiding the policy.

Unfortunately, there is often inconvenience experienced as a result of circumstances which lead to an insurance claim being made, especially in a situation like this where an escape of water has had a wide-reaching impact. We wouldn't usually make an award simply because a customer needs to make an insurance claim. But it is clear Chaucer's decision to void the policy impacted S and caused inconvenience they may not have experienced if the policy had not been voided, enabling a claim to have been pursued in March 2023. However, I consider the payment offered by Chaucer of £500 fairly compensates S, in the circumstances, for the inconvenience it experienced.

Lastly, Mr R-S has talked about the impact this matter had on S' reputation. He's talked in some detail about how he considers Chaucer's initial response to the claim, and the consequences of this, impacted S. We've shared the comments Mr R-S made with Chaucer and their response was that it wasn't clear what damage had been caused to S' reputation. Our investigator was persuaded by Chaucer's comments and didn't make a further recommendation. I'm satisfied S had been provided with the opportunity to provide evidence to support each of their areas of concern, but I haven't been provided with anything conclusive to show S' reputation has been damaged directly by Chaucer's decision to void the policy so I'm not going to require Chaucer to make a further payment here..

My final decision

Chaucer Insurance Company Designated Activity Company has already made an offer to pay S £500 to settle the complaint and I think this offer is fair in all the circumstances.

My decision is that Chaucer Insurance Company Designated Activity Company should pay £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 30 October 2024.

Emma Hawkins
Ombudsman