

The complaint

Mr B complains that Royal & Sun Alliance Insurance Limited (RSA) has cancelled his insurance policy without good reason and is unfairly accusing him of making a fraudulent claim.

What happened

Mr B was having insulation installed in his home. The contractors damaged his roof, which led to a large amount of water getting into the house. Mr B approached RSA in September 2022 to make a claim for the internal damage and RSA accepted it. RSA used a claims handling company, S, to deal with the claim on a day to day basis. RSA remains responsible for S's actions and any decisions made about the claim.

Mr B had to move out of his home to allow repairs to take place, and S agreed alternate accommodation costs of £4,800 per month for some time. In October 2023, RSA agreed to settle the remainder of the repair costs as a cash sum. S then noted the high cost of alternate accommodation. RSA decided to review the claim, having by this time paid out about £100,000, the majority of which was for alternate accommodation.

RSA asked Mr B to provide evidence of his tenancy agreement. Mr B said he didn't have one but that he'd found the rental property through a property agent. He said he'd been paying the rent in cash each month by withdrawing amounts of £250 at a time from his bank account until he had enough. He said he did that because it was both inconvenient to withdraw a larger sum and, he thought, not safe to carry nearly £5,000 around with him. RSA didn't think Mr B's bank statements showed evidence he was renting the property. Nor could it find the property agent from the details Mr B provided.

RSA did some more investigation and made an unannounced visit to the property Mr B was claiming rent for. RSA says it was told the property wasn't occupied by Mr B and had been occupied by the owner for the previous 18 months. A later email exchange between the person answering the door and RSA didn't provide any more evidence that Mr B and his family did live there.

In November 2023 Mr B was told he needed to leave the property he was claiming for and S provided details of alternate properties, none of which suited Mr B. He said he'd found somewhere through a friend at £3,000 a month and RSA agreed to meet this cost but reserved its rights – that is, put Mr B on notice it might ask for money back once its investigation was complete.

Shortly after this RSA wrote to Mr B saying it believed he'd breached the fraud condition on his policy by exaggerating his claim with respect to the rental payments. It went on to void (that is cancel and treat as though it never existed) his policy from the date of the first rental claim – November 2022. RSA has also asked Mr B to repay all the costs of the claim – nearly £100,000 – in line with the terms and conditions in the policy.

Mr B says this is very unfair and thinks he's provided sufficient evidence to show he did rent the £4,800pm property. He's told RSA the whole situation is making him ill.

RSA reviewed its position and decided it hadn't done anything wrong.

Mr B had also complained about the way RSA had handled his claim. RSA acknowledged that not everything had been handled the way it should have been and that there had been some unnecessary delays. It paid Mr B £200 to make up for this.

Mr B also complained that a contractor used a toilet that wasn't plumbed in and soiled the carpet. RSA says it won't do anything about that because it happened after November 2022, and as the policy has been voided Mr B wasn't insured at the time.

Mr B asked us to review all his complaints and RSA agreed they could be looked at as one complaint.

Our investigator thought RSA had acted fairly. Whilst he acknowledged that it took RSA a long time to review the cost of alternate accommodation, he didn't think that meant RSA couldn't investigate this and ask for evidence that justified the payments. He didn't think RSA had reached an unfair conclusion given the lack of evidence and co-operation from Mr B. He also thought RSA's response to Mr B's earlier complaint was reasonable and the compensation paid fair. Mr B sent some screenshots of a rental property available in the area he lives in which exceed the cost he's claimed, to support his argument that he had paid £4,800 a month rent, but that didn't persuade our investigator to change his opinion.

I've been asked to decide this complaint.

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.

I'm not going to uphold this complaint. I realise this will not be what Mr B wants to hear, and I'll expand on how I've reached this conclusion.

There are two main parts to this complaint and I'll deal with them separately.

Claims handling

I can see that Mr B complained about the difficulties on communicating with RSA (and S) and delays in progressing his claim. RSA acknowledged it could have dealt with his claim more efficiently and paid compensation of £200 to make up for this. There's inevitably a lot of disruption and inconvenience when a property is damaged and a major claim has to be made. RSA isn't responsible for this – but it does need to take care not to add to an already difficult situation by its actions. Having looked at RSA's internal records I can see that Mr B did chase RSA frequently – in particular about drying his property initially and later for the alternate accommodation costs. But I think the payment of £200 was an appropriate amount for the inconvenience caused up to December 2023, when RSA issued its final response on this complaint.

Fraud complaint

The policy Mr B had said that RSA is entitled to ask him for any evidence it deems necessary to support his claim. That includes things like receipts, contracts or bank statements, for example. If fraud, which includes exaggerating costs, becomes apparent, then RSA can cancel the policy back to the date of the first instance of fraudulent activity. It can also ask Mr B to repay any money he's already received on the entire claim. That's what RSA has now done.

Mr B was paid £4800 per month to cover alternate accommodation for about a year. I do think that that was a long time to make payments before checking they were genuine. Mr B believes RSA only queried these payments because a certain member of staff at S – about whom he'd complained several years earlier – took over his case. He thinks they've deliberately caused problems for him. I can see from RSA's records that the member of staff in question did query the amount paid. But I can't see anything that suggests they were deliberately causing trouble for Mr B. And, from the records I've seen, this person didn't carry out the subsequent investigation or decide if Mr B's policy should be cancelled. That was done by a specialist within RSA.

RSA's notes suggest that if Mr B provided evidence that he'd been paying rent at the amount he claimed each month it would have accepted the situation. That seems a fair approach given the delay in checking the payments. Unfortunately Mr B hasn't been able to show RSA that he was paying £4800 a month for the property he said he was living in. Mr B has no lease or contract, despite using a property management company to find the property, and RSA can't find the management company from the information Mr B provided. That is an unusual set of circumstances, and I think it fair for RSA to ask Mr B for other evidence to support his claim. RSA asked for bank statements showing payment of the £4800 per month. But Mr B can't show this conclusively as he says he paid his rent in cash, and collected that by making a number of £250 withdrawals from his account. He says he did that so he didn't have to carry a large amount of cash around, as he thinks that's unsafe. I understand that argument but I also accept that RSA isn't persuaded that numerous withdrawals of smaller amounts of money show rent was being paid.

RSA also visited the address Mr B said he was living at. The person answering the door said they'd been living in the property for about 18 months and didn't know who Mr B was. Although this person didn't provide much information at the time because they were conscious of the danger of giving information to strangers, they also didn't provide any information to show that Mr B did live at the address in later communications.

Mr B recently sent us some information about a short term rental property which he says shows that similar sized properties can cost as much per month as he claimed. I don't doubt that such properties are available. But RSA didn't ask Mr B to justify the cost of the rental property. Instead it asked him to prove he paid the amount he claimed for the property he said he lived in.

Having looked carefully at the information provided and the opportunities RSA gave Mr B to substantiate his claim for alternate accommodation costs I'm persuaded RSA fairly reached the conclusion it did. That means I'm satisfied it was reasonable for RSA to take steps to void his policy and ask Mr B to return the money he's had.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 2 January 2025..

Susan Peters
Ombudsman