DRN-5137247

The complaint

Mr and Mrs D have complained about their let property insurer Royal & Sun Alliance Insurance Limited (RSA). They feel it's treated them unfairly after they made claims for damage after their tenant left the property.

Mr and Mrs D have been represented by their broker. I'll mainly refer to comments made by their broker as their own.

What happened

Mr and Mrs D had let their property for a number of years to a family friend. Mr D inspected the property in late 2021. In late 2022 the rent was late. Mr D chased the tenant and then checked the property in January 2023. He found lots of damage – the tenant seemed to not have been there for a while and some of the property had been converted to grow cannabis. There was also storm damage to the roof which had allowed water ingress to the property.

RSA, responding to the claim, sent a loss adjuster to the property. Reports on the damage caused by the two issues were made. It was several weeks before a claim outcome was issued by RSA. Ultimately RSA declined liability for any damage caused in relation to the growing of cannabis, and loss of rent. It agreed liability for the storm damage to the roof and related internal damage, but not the render. It said its settlements would be subject to an adjustment for underinsurance (related to the declared value given on the policy). It accepted there had been some delays in the claim and paid £250 compensation for upset caused. This was set out in a final response letter (FRL) dated 15 July 2023.

Following the FRL, the parties moved to negotiating the actual settlement sum. RSA put forward an offer in October 2023. Mr and Mrs D said they'd accept it in part – but there were four things they remained unhappy about;

1. Liability not being accepted for the damage caused by cannabis growth.
2. The storm damage in respect of the rendering & the kitchen window being declined.
3. The loss of rent aspect as external & internal storm damage had rendered the property uninhabitable, along with delays caused by RSA.
4. RSA's interpretation of the declared value in relation to the sum insured.

RSA wasn't minded to change its position. It didn't issue a further FRL. Mr and Mrs D made this complaint to the Financial Ombudsman Service.

Mr and Mrs D said that there should be cover for the damage caused by growing cannabis. The policy, Mr D noted, allows for cover as long as certain conditions are complied with, which he felt he had done. In addition to the four points set out above and raised with RSA, they said RSA's settlement for storm damage had included unfair deductions for damage in the two affected bedrooms.

Our Investigator felt RSA's claim outcomes had largely been fair and reasonable. Although, regarding underinsurance she felt there was an uplift due in the claim settlement on account of how RSA had calculated its deduction. She felt RSA should pay Mr and Mrs D a further £881.97 plus interest. She felt its compensation payment had also been fair.

Mr and Mrs D were disappointed. They said RSA's delays in this claim had meant they couldn't progress roof repairs – and it hadn't even given them authorisation to do emergency works in the interim. They maintained lost rent was payable under the policy – but also fairly due on account of RSA's delays. Mr and Mrs D felt that RSA being able to pay such a low level of compensation would mean it had no reason to change how it acts.

The complaint was referred to me for an Ombudsman's decision. Noting a number of subjects in dispute, I made a series of findings. I've bulleted them here:

- RSA's decision regarding the damage related to growing cannabis was fair and reasonable.
- I was unable to comment regarding deductions made for internal storm damage.
- RSA's decision regarding the external render being damaged by storm was fair and reasonable.
- It should consider whether the window had been damaged by storm.
- It should reconsider the loss of rent claim.
- I felt RSA had acted unfairly when considering Mr and Mrs D to be underinsured.
- I thought it should pay them £2,102.85, the sum it had deducted for underinsurance.
- I wasn't minded to make it pay more compensation.

I issued a provisional decision explaining all of the above.

Mr and Mrs D said they were pleased by that initial outcome – although they felt RSA had delayed for longer than I had suggested.

RSA said it disagreed with my decision. Its disagreement centred on what I had said about loss of rent and underinsurance.

Having considered the responses, and reviewed the complaint, I issued some further findings in respect of loss of rent. I explained that RSA's response and my review had prompted me to change my view, provisionally stated, that RSA should reconsider a loss of rent claim. Understandably Mr and Mrs D were disappointed by that change in view, and they explained why that was. RSA did not respond 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.

I've summarised my initial findings above – in bullet form and within the paragraph subsequent to the bulleted detail. As referenced there've been some replies regarding those findings from both parties. I'll set out below my provisional findings in italics, but regarding loss of rent, I'll only include copied wording from my further provisional findings. After each I'll detail what response has been received and add my final comments.

Damage from growing cannabis

"The RSA policy offers cover for this. But it is offered subject to the policyholder meeting certain conditions. The one of note here is that the property must be inspected every three months, or in-line with a period set in a tenancy agreement.

Here, the tenancy agreement Mr and Mrs D had put in place did not specify an agreed period for inspections. I know Mr and Mrs D said there was a verbal agreement for annual

inspections. But the policy condition doesn't allow for that. And I note that even given that reported verbal agreement – Mr D inspected the property in November 2021 and not again until January 2023. I understand that Mrs D had been poorly during that time. I accept that might have made it more difficult for the property to be checked – but the policy in this respect is offering extra cover for potentially costly damage where the risk of such damage occurring increases when a property isn't regularly checked. In the circumstances, I don't think I can reasonably fault RSA for relying on a breach of the policy conditions by Mr and Mrs D to decline liability for the damage caused by growing cannabis."

Neither party objected to my above findings. I've nothing further to add here.

Storm damage

"RSA accepted it had liability for storm-related internal damage. It confirmed that in its FRL in July 2023. But no offer had been made for the settlement of that damage at that time. In August 2023 the parties were negotiating the claim settlement, discussing things such as liability for damaged carpets. The claim settlement offer, put forward by RSA in October 2023, followed those earlier negotiations. Mr and Mrs D set out their concerns about the settlement to RSA, as bulleted in my background above. As can be seen, those concerns didn't include any dispute over the extent of the settlement paid for internal damage, such as what was paid for carpets. Any complaint Mr and Mrs D have in that respect, has to be made to RSA in the first instance. That hasn't happened here. So I can't consider this concern as part of this complaint.

In response to RSA's offer, Mr and Mrs D did tell RSA, as bulleted, that they were unhappy it had declined liability for the render and the window. RSA had given its FRL regarding the render in July 2023, it didn't need to answer that again. But it hadn't provided an FRL regarding the window. And it didn't comment on this concern about its settlement following receipt of Mr and Mrs D's complaint about it. So, because RSA has had a chance to comment on this but hasn't done so, I can consider this concern as part of this complaint.

I haven't currently seen any discussion between the parties about the window. I haven't seen any description of how its damaged and, as I've said, I haven't seen any comment from RSA as to whether or not it thinks this was caused by the storm. But there was a storm and RSA accepted that some external damage to the property was caused. It just seems that the damage to the window hasn't yet been considered under this claim. So I think the fair outcome here is for me to direct RSA to undertake that consideration.

Turning to the render – the dispute is whether or not the storm was the dominant cause of the damage. Mr and Mrs D have argued that this damage is situated on the most exposed corner of the house – so it is most likely to have suffered damage from the storm. I think there is a sense of logic to that argument. But that same logic would extend to thinking that this most exposed corner would also suffer the greatest amount of wear and tear. Render, because of the way it is affixed to a property, doesn't usually become damaged during one storm event – it isn't like a roof, for example, where wind can get underneath an edge with the resultant forces causing damage. More often, render wears overtime with the effects of freezing and thawing causing cracks which widen, allowing more water in, exacerbating the freeze/thaw process and, ultimately, causing the render to flake and fall away.

I've seen photos of the property from the loss adjuster's assessment after the loss. I'm mindful that Mr and Mrs D hadn't inspected the property in sometime – with two winters occurring in the interim. I note that it seems that it was the expert loss adjuster's opinion that the render had been damaged by wear and tear overtime. I haven't seen any alternative expert opinion put forward by Mr and Mrs D. Taking all this into account, I think that RSA has

fairly and reasonably declined liability for the damaged render on account of the storm not having been the dominant cause of the damage. I don't intend to make RSA do anything more in this respect."

Mr and Mrs D said they had given RSA details about the window. But that those details had been dismissed by RSA. I appreciate that Mr D may have spoken with RSA at some point regarding the window – but I've seen no detail in this respect when assessing this complaint. I can't say why that may be. In any event, my direction is for RSA to now consider this aspect of the claim.

Loss of rent (under the claim)

"I noted provisionally that the parties had mostly argued about whether the storm damage at the property had potentially caused the property to be uninhabitable and rent to be lost – or if that loss was caused by the uninsured cannabis conversion damage. Having referred to the policy wording, I felt that distinction was immaterial and RSA should be considering a claim.

In reply RSA said there is an additional term in the policy, not referenced by me provisionally, which has relevance here:

"Material Damage requirement
Payment must have been made or liability admitted for the Damage under an insurance covering Your interest in the Building……."

RSA went on to explain (its underlining): "We are only liable for loss of rent in the event that the loss of rent arises from insured material damage. If it does not, then we are not liable. If material damage does arise from an insured event, it would still then require the claimant to prove they actually suffered a reduction in rent because of that damage…which is where we would expect to see evidence to prove that".

I've therefore reviewed the claims and policy to see whether I think RSA's refusal to consider a claim for lost rent was fair and reasonable.

There were two damage claims here – one RSA has accepted liability for; storm, and one it has not; the cannabis conversion. So, in reference to the term quoted above only for a moment – liability for damage under the insurance policy had been admitted by RSA. So in that respect it would appear it reasonably has to consider a loss of rent claim. But RSA's additional comments mean that I can't fairly review only that term in isolation from the others that apply in the policy for loss of rent – to consider its comments, I need to look at the other relevant policy terms too.

The policy says:
"We will pay you the following amounts in respect of Buildings which have suffered Damage…1 Loss of Rent".
The term 'Damage' is defined as "physical loss, destruction or damage". So, stopping there for a moment, it would still appear that RSA reasonably has to consider a loss of rent claim. That's because the "Building" – Mr and Mrs D's home, had suffered storm "Damage".

The policy also though defines "Loss of Rent". And that definition, in these circumstances, means, I think, that RSA does not reasonably have to consider a claim in this respect. I say that because the policy defines Loss of Rent as:
"The actual amount of the reduction in the Rent received by You during the Indemnity Period solely as a result of Damage to the Buildings."

In my view, the word "solely", in the definition quoted above is of key importance. I say that because, bearing in mind that "Damage" has to be "Material Damage", "solely" means that the policy will only respond in respect of Loss of Rent when ***only*** *Damage, which has to be Material Damage, causes rent to be lost. If Damage, which is not Material, also impacts the property and the policyholder's ability to receive rent, RSA won't be liable because the Damage which is also Material, is not the* ***sole*** *cause of the loss.*

At Mr and Mrs D's property there was clearly some significant, insured storm damage to two bedrooms and the roof – Damage which was Material. That damage, to trigger a Loss of Rent claim, would not need to have made the property uninhabitable, because the policy terms do not require the property to be uninhabitable. They only require rent to be lost on account of "Damage" which is "Material Damage". I think it's fair to say that £10,000 worth of damage to two-bedrooms, of a four bedroom home, and the roof, would likely affect the property's ability to be let, leading to a loss or rent received by Mr and Mrs D.

However, that storm damage was not the only damage at the property. There was the damage caused by the cannabis conversion too. But RSA denied liability for this damage. Meaning it was not "Damage" which was "Material Damage". I think the damage from the cannabis factory conversion was at least as much of a bar to letting the property, and receiving rent, as the storm damage was. I think it would be unfair and unreasonable to say that the storm damage was the sole, or even, applying a fair reading to the definition, the main, cause of a loss of rent received by Mr and Mrs D.

In light of my review of RSA's reply and what that means in the context of the rest of the relevant policy wording, I'm no longer of the view that RSA's refusal to consider a loss of rent claim under the policy was unfair and unreasonable. As such I no longer intend to require it to consider that claim."

Mr and Mrs D's reply on loss of rent

In reply to my findings in this respect Mr and Mrs D said they were disappointed. They said they felt RSA, very late in the day, had now come up with a further excuse regarding loss of rent. They felt it was unfair for RSA to raise this term so late in the day and only when it looked like it might have to act regarding loss of rent. They feel RSA, if it had been acting reasonably, should have notified them long ago regarding this policy wording.

Mr and Mrs D said, in any event, RSA, they think, is interpreting the term incorrectly. Particularly the word "solely". They said " 'solely as a result of damage to the buildings' – without doubt this means that the reduction in rent is solely as a result of damage". They argue that this definition is a qualification of the Material Damage term, rather than the other way around, with the intent of the policy wording to clarify that loss of rent is only payable as a result of Damage to the buildings. Mr and Mrs D said its poor of RSA to try and suggest this should mean cover is restricted to one "sole incident". They feel the definition as its stands is ambiguous.

The broker, responding on behalf of Mr and Mr D also explained that he'd referred to senior persons working within the insurance industry and they'd all been critical of RSA's approach. He said "fair and reasonable" has to be king – as a claim for storm was accepted, a loss of rent claim should follow. The broker said if my view doesn't change, an injustice would occur. He said he'd welcome a conversation with me – that a conversation would likely be beneficial, and without it a grave miscarriage of justice might occur, with RSA having attempted to coerce me to its way of thinking. He said the matter needs escalating to chief officers, both within this Service and at the regulator – the Financial Conduct Authority. Our Investigator advised that it would be unlikely that I'd call.

My final decision on loss of rent

I've noted Mr and Mrs D's broker's offer of a conversation – but it is part of my usual work to consider the written submissions from both parties. If I felt a conversation would aid my understand or better clarify a situation, I could certainly utilise that investigatory tool. However, I'm satisfied that the arguments here are clear. As such I'm satisfied that I do not need to speak with Mr and Mrs D's broker in order to fairly and reasonably answer this complaint point.

I've reviewed my findings, along with the relevant policy wording, in light of the response detailed above. I'm satisfied that this is not a new argument raised by RSA. It, until responding to my provisional decision, had not referenced the specific terms of the policy upon which it was relying. Clearly it should have done that – the fact that it did not do so can only be viewed as unreasonable. But the basis of its argument – that the uninsured damage meant the loss of rent claim could not succeed – is exactly what is expressed by the Material Damage term, which is placed within the policy section dealing with loss of rent claims. It isn't my place to punish an insurer for unreasonable behaviour – so I can't set-aside the policy term and/or ignore its impact on the claim only because RSA should have referenced it earlier.

I think there are many ways RSA's policy terms could have been expressed. But I'm satisfied that, set out as they are, when they are read as a whole, they are not unclear. I'm also satisfied that the loss of rent definition does not qualify and, therefore narrow, the Material Damage term. Rather the loss of rent definition is a starting point – with the Material Damage term then drawing focus to RSA's relevant liability under the policy section. The placement of the terms within the policy demonstrates this.

I note the argument that's been made about whether or not one "sole incident" would have to have occurred for a loss of rent claim to succeed. But the issue here is that one incident covered by the policy has occurred, at the same time as one incident which is not covered. So there is both material and non-material damage affecting both the property and its ability to be let. Meaning the loss of rent occurring is not solely as a result of Material Damage – as required by the policy terms (loss of rent definition + material damage requirement).

I appreciate that my change in view on the loss of rent issue is disappointing and upsetting for Mr and Mrs D. That is regrettable – but I can assure them that I've made my decision of my own free will based on my own consideration of the points raise by both parties and the policy wording. At this time, having reviewed everything, my view on loss of rent, as quoted above in italics, hasn't changed. As such, I'm satisfied that RSA's decline of the loss of rent claim is fair and reasonable and I'm not going to require RSA to reconsider it.

Underinsurance

"RSA has said that Mr D is underinsured. It said he gave a 'declared value' (DV) for the property when arranging the cover of £331,370, but it had calculated the property's DV should've been £417,000. So it said that would affect any claim settlement it would make – such would be proportionate. Initially RSA worked that out based on the percentage difference of the DV values, but it later assured our Investigator that it would calculate the underinsurance based on the different cost in premium which the different DVs would have generated. In short the difference between the premium Mr D did pay and that he would have had to pay, had (what it felt to be) the correct DV been disclosed.

Mr and Mrs D aren't happy with the suggestion of underinsurance. They've queried RSA's interpretation of the policy regarding the difference between DV and the higher sum insured

that attaches when a claim is made part way through the year. I understand their concerns in that respect. But to decide whether or not RSA has acted fairly I have to consider the principles of misrepresentation – which focus on what happened and what should have happened, when the policy was arranged.

Because this is a commercial property Mr D is expected, when arranging the policy, to provide a fair presentation of the risk to the insurer. If Mr D didn't provide a fair presentation of risk and RSA can show it would have done something differently if he had, then it will likely be fair for RSA to settle any claim proportionately on the basis of underinsurance.

Here RSA maintains that Mr D gave a DV of £331,370 and this was used to price the policy. RSA says that the DV given should have been more in-line with what it calculated the rebuild cost to be – £417,000. With that in mind, on this occasion, I'm going to get straight to the heart of this and consider whether RSA can show it would have done something differently based on a DV of circa £417,000 being used to calculate the policy premium.

RSA told our Investigator that, if a DV of £417,000 had been given by Mr D in 2022, the premium charged would have increased. It said it would have charged Mr and Mrs D £546 instead of the £481 actually charged – so it would have done something differently. In reviewing the complaint, I noted that Mr D was charged £398.17 for cover in 2022, not £481. So I asked our Investigator to revert to RSA so it could explain this discrepancy. RSA's responses about the premium charged included some confidential business information. Which means the exact, entire content of that can't be shared.

However, I've considered the detail provided in full and below I've summarised what I see as the key points from it. These points, in my view, impact the persuasiveness of the evidence such that I can't reasonably say it is compelling evidence that RSA would likely have done something differently in 2022 if a DV of circa £417,000 had been given.

- *RSA initially said that it had been unable to re-price the 2022 cover because the policy had expired.*
- *The premium of £481 was actually the premium initially charged in 2024 before the DV, at that time, was increased to £475,000 (well beyond the £417,000 value in question) – which prompted the premium increase to £546.*
- *Upon review someone (I'll call them "MG"), with no detail provided as to what MG's expertise is, said they'd manually recalculate what the premium in 2022 would've been.*
- *MG recorded '£331,370 [DV] = £219.74 [buildings premium]' with '£417,000 = £314.98'.*
- *The result of the recalculation was said to be an 8.4% difference in premium – but no detail was shared showing the calculations undertaken.*
- *Detail of how the original 2022 policy was priced was shared. This showed that the premium in 2022 was £398.17, this is as shown on Mr D's policy schedule.*
- *The 2022 pricing detail also showed that the portion of the total premium for buildings cover was £219.74, with that based on a DV of £381,076.*
- *The figure of £381,076 seems to be that recorded on the policy for the buildings sum insured, with the recorded DV being £331,370.*

Further, I'm mindful that the rebuild cost of a property will sometimes affect the price an insurer will charge. But all insurers price policies differently; in short that is because they all view risk differently. And I think it's fair to say that not every pence or pound of something like a rebuild cost is guaranteed to create a change in price of the end premium. A large difference – such as circa £100,000 – might be more likely to cause a change, that feels like it would make sense. But I'm not so persuaded, in the context of the values in question here, that a difference of less than £40,000, or circa 10%, would be as likely to be thought to potentially make a difference.

So, as I said above, RSA's evidence was, in my view, less than compelling. Further, as I've set out in the previous paragraph, it doesn't seem there's any clear, general, likelihood that the DV which RSA thinks should have been used of £417,00, as opposed to that actually used of £381,076 – which is within 10 per cent of £417.000 – would have changed anything. As such, on this occasion, I'm not persuaded it's fair for RSA to view Mr and Mrs D as being underinsured, thereby settling the claim on a proportionate basis.

I understand that RSA settled with Mr and Mrs D for the claim elements it had accepted liability for on 6 October 2023. RSA has said that the total cost of roof and internal building repairs was £10,208. RSA's position on underinsurance though meant it felt it was only liable to Mr and Mrs D for £8,105.15, with the policy excess being taken from that sum. So I think RSA should now pay Mr and Mrs D the difference between those two sums – £2,102.85, plus interest applied to that sum from 6 October 2023 until settlement is made.

I'm aware that Mr and Mrs D still dispute the extent of RSA's liability for some internal repairs. I've referenced those disputes above. There is also the window damage and outstanding loss of rent claim which I'm directing RSA to consider/reconsider. Should RSA need to make any additional claim settlement to Mr and Mrs D, it will not be able to apply any proportionality to those settlement sums on account of underinsurance."

RSA's reply on underinsurance

RSA responded with a series of bulleted comments. It said it would explain the premium situation again. It confirmed that the DV "*is absolutely a rating factor for all RSA*" policies like this one – a change in DV would always affect the premium. It can evidence this by running live quotes – but as the original policy has expired it can't run a comparison using that policy. But using the live policy shows there will be an effect if the DV is changed. It thinks I may have been confused about the numbers referenced previously. RSA said the difference in DV's is the important figure – and that was £85,000 not £40,000 as I had suggested. It said that in 2022 the DV was £331,370, with a premium of £398.17 and increasing the DV to £417,00 results in a premium of £562.97 – a 12% increase. RSA concluded that it had shown the premium would change with an increased DV – and to say it hadn't would be completely unfair.

My final decision on underinsurance

I thank RSA for its further explanation on this. But it hasn't changed my view.

I appreciate that RSA can run live quotes now. And that when it does so with different DVs, the premium changes. But, for RSA to be able to fairly say Mr and Mrs D were underinsured, it has to show that in 2022, a different DV would have made a difference. I also think the logic of what RSA is trying to put forward has been further compromised by the current detail – an 8% difference put forward previously, has now become 12% – with the DV of £417,000 now generating a premium of £562.97. I note that value of £562 is more than the premium generated previously by a DV of £475,000 (£546). Not to mention that MG previously said he had calculated that the premium in 2022 – had a DV of £417,000 been used – would have been £314.98.

I also appreciate that the difference between the DV on the 2022 policy schedule, £331,370, and that which RSA says is correct, £417,000, is circa £85,000, rather than £40,000. But I'd refer RSA back to the detail it provided previously – where it showed what it said was the original pricing data for the 2022 policy. In that data a DV of £381,076 is recorded. As I noted provisionally that figure is later shown on the policy schedule as being the sum insured (not

the DV). But, as far as pricing the 2022 cover, RSA's evidence shows a DV of £381,076 was used – an approximate difference of only £40,000 from the DV it says is correct of £417,000.

I remain of the view that RSA has not provided persuasive and compelling evidence that it would likely have done something differently in 2022 if a higher DV of circa £417,000 had been declared. As such I remain of the view that it can't fairly apply a deduction for underinsurance to any claim settlement due to Mr and Mrs D. I did note provisionally that my decision regarding underinsurance would apply to RSA's reconsideration of the loss of rent claim I was intending to direct it to undertake. However, since then, my view on loss of rent has changed. As set out above, I'm no longer requiring RSA to reconsider that part of Mr and Mrs D's claim. But my comments regarding underinsurance will still apply to any remaining aspects of the storm damage claim.

Claim handling and delay

"I know Mr D says he felt bullied when the loss adjuster initially dismissed the internal storm damage part of the claim, on the grounds there was internal damage in respect of cannabis growing too. Whilst I'm not convinced her actions amounted to bullying, I think the view taken about the damage was unreasonable.

I don't think that materially affected the course the claim took though, with liability for the internal damage subsequently accepted by RSA. I think there were some delays in the claim though, which I've discussed below.

The claim was made on 25 January 2023, with the loss adjuster attending within a few days. I'm satisfied that this claim was somewhat complicated – two causes of damage, some suspected uninsured damage being present in respect of each claim, and likely some underinsurance. In the circumstances RSA needed to consider everything, including its liability for the policy as a whole. That, quite reasonably in my view, took a few weeks. But once, at the end of February 2023, RSA had taken an overall view on its liability and the claims, it was a month before this was communicated to Mr and Mrs D. I've seen no good reason for this delay, I think it was unreasonable.

The parties then began debating the position RSA had taken. From what I have seen, when the broker raised queries and challenges or presented evidence on behalf of Mr and Mrs D, RSA responded in a reasonable period. This culminated with its FRL issued in July 2023.

That is the point up until which I can consider RSA's claim handling in this complaint. As noted above, Mr and Mrs D did raise concerns with RSA about its later, October claim settlement. Those concerns did not include reference to how RSA had handled matters after the July 2023 FRL.

I think the loss adjuster got things wrong initially and that RSA caused a month of delay at the start of the period which I am considering. Both as explained above. For that upset I am satisfied that the £250 RSA has paid already is fair and reasonable compensation.

I note Mr and Mrs D feel that repairs got worse during the period of delay – that RSA should have given them authorisation to complete emergency repairs. I haven't seen that RSA was approached with a view to whether emergency repairs could or should be undertaken. I know that when quotes were requested by RSA, it was about a month before the broker provided them. I've seen nothing to make me think work could have been done quicker than that if emergency work had been specifically authorised by RSA – and I've found that it only delayed matters by the same period. Even if Mr and Mrs D could show that the damage

likely did get worse in March 2023, I'm not convinced that RSA's delay at that time likely prevented work from being completed to protect the property.

Turning to loss of rent caused by RSA's delay, I've found above that RSA caused a month of delay from the end of February 2023 until the end of March 2023. If it had not caused this delay, Mr and Mrs D would have known in late February 2023 that RSA was not going to cover all of their claim. But when they did find that out, that didn't cause Mr and Mrs D to immediately undertake repairs to resolve the damage to the house so it could be re-let. Rather, and quite understandably, they wanted to challenge RSA's claim decision. That resulted in their complaint to it, and then this service. If they'd known RSA's decision earlier, that process, I think, would just have begun earlier – knowing earlier wouldn't have changed the fact the home could not be let due to damage. So I'm not persuaded that it would be fair to say that RSA should reasonably pay compensation, in line with its period of delay, for one month of rent lost."

Mr and Mrs D's reply on claim handling and delay

Mr and Mrs D said RSA caused more than a month of delay. They said they only got a response after chasing RSA's loss adjuster. They said the issue, given the adjuster had outright dismissed anything regarding the cannabis conversion, was really a simple one of whether or not the policy would respond to storm damage. And the adjuster should, they said, have said emergency repairs could be done.

My final decision on claim handling and delay

It was around two months after the loss when RSA's decision was communicated to Mr and Mrs D. The details I set out provisionally explained that RSA made its decision after one month – and then delayed unreasonably for a month before telling Mr and Mrs D. I've checked the file details and I'm satisfied that timeline is correct. I remain satisfied that RSA failed Mr and Mrs D in this respect – but also that the first month of deliberation was not unreasonable. That's because this was not a simple issue as suggested by Mr and Mrs D. For one thing, there was the underinsurance element for RSA to consider and that, theoretically, could have affected its policy liability as a whole.

I note Mr and Mrs D's view on what they think the loss adjuster should have told them about emergency repairs. However, as I explained provisionally, I'm not persuaded, that would have changed anything.

Summary

I've now completed my final review of Mr and Mrs D's complaint. My provisional findings regarding loss of rent have changed – and I'm sorry for the upset this change has caused Mr and Mrs D. I've detailed above the change and why Mr and Mrs D's comments haven't persuaded me that my amended position on loss of rent is unfair and unreasonable. I've also explained my views on the other points made in response to my wider provisional findings – including that RSA's reply regarding underinsurance did not change my view provisionally stated in that respect. The details I've set out above, including my further comments on the parties replies, are now the findings of this, my final decision.

Putting things right

I require RSA to

- Consider Mr and Mrs D's claim for the damaged window.

- Pay Mr and Mrs D the sum of £2,102.85 previously deducted from its claim settlement, plus interest* applied from 6 October 2023 until payment is made.
- Not apply any deduction for underinsurance to any future settlements made to Mr and Mrs D in respect of this claim.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require RSA to take off tax from this interest. If asked, it must give Mr and Mrs D a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint in part. I require Royal & Sun Alliance Insurance Limited to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Mrs D to accept or reject my decision before 9 December 2024.

Fiona Robinson
Ombudsman