

The complaint

A company, which I'll refer to as P, complains that AXA Insurance UK Plc rejected a claim on its commercial property insurance for loss of rent, and delayed dealing with the claim.

Mr S, who is a director of P, brings the complaint on P's behalf.

What happened

In December 2023 P bought a property which it intended to let out to tenants. The property needed some redecoration which P carried out, so tenants were not found immediately. In January 2024 P made a claim on its policy, saying there had been a leak of water which damaged the property. P wanted to claim for the repair costs and for loss of rental income.

AXA appointed loss adjusters and they started looking into the claim. In February 2024, AXA said the claim for loss of rent would not be covered, while further information was needed before it could deal with other aspects of the claim.

Mr S was unhappy and complained on behalf of P in respect of the decision not to cover the claim for loss of rent, and about the way the claim was being handled by AXA and the loss adjusters acting on its behalf.

In its final response to the complaint, sent on 15 May 2024, AXA said

- There were no tenants in the property and no signed tenancy agreement in place for any prospective tenant, so there was no loss of rental income to be covered.
- While there may have been a few instances where the same information was requested more than once, this was a small administrative error. It was entitled to investigate the claim and had done so reasonably.

Mr S disagreed and referred P's complaint to this Service. Our investigator said the decision not to cover the loss of rent claim was reasonable. He initially said there had been some delays of a few weeks by AXA and recommended a payment of £300 compensation, but after considering further comments from AXA concluded there was no unreasonable delay and so no compensation was appropriate.

Mr S didn't accept the investigator's view. He also explained that P's claim for the damage repairs was still ongoing and asked for this to be considered as well.

The investigator explained that he was only considering the decision about the loss of rent and the delays up to the final response issued in May 2024; if P wished to complain about later events, AXA would need to have the opportunity to reply to that first.

As no agreement has been reached, I need to make a decision.

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.

The relevant industry rules and guidance say insurers must deal with claims promptly and fairly, support a policyholder to make a claim, and not unreasonably reject a claim.

This complaint only concerns the claim for loss of rental income, and the initial delays that were addressed in AXA's final response letter of 15 May 2024. I appreciate Mr S would like us to consider more recent events about other aspects of the claim but those issues would need to be considered as a separate complaint, once AXA has had the opportunity to address them.

With regard to the claim for loss of rental income, the policy includes cover for this, subject to the terms and conditions. It covers loss of rent, defined as "*the money paid or payable to you for tenancies...*" So P needs to show there was rent that would have been paid or was payable at the time.

At the time of the incident, the property had not been let to anyone. There was no tenant and P had not yet entered into any tenancy agreement. So there was no rent due to P. That means there was no loss that was covered by the policy.

I appreciate Mr S says P was going to let the property, and had instructed a letting agency. There's evidence P had been in touch with agents about possibly letting the flat, but it hadn't got further than that. It wasn't a situation where a tenancy had been agreed. Until there was a tenant in the property, or at the very least a signed tenancy agreement, there was no rent due to P.

I've considered the timeline of events and don't think there was any unreasonable delay that would justify a payment of compensation.

The claim was made in January 2024 and loss adjusters were appointed very soon after. Part of the claim related to damage to the boiler. AXA received the report of the boiler fault from P on 13 February. While that was still being looked into on 27 March, the loss adjuster had emailed C with details of information that was needed about the claim, and was making other enquiries about the claim.

So although the claim in relation to the boiler might potentially have been dealt with a little quicker, any delay was for a short period. And this didn't delay the overall progress of the claim, since other information was awaited from P.

In the first instance, it's for the policyholder to prove their claim. The policy terms say the insured must provide full details of any claim, including any further information AXA reasonably requires. It was reasonable for AXA to investigate the circumstances of the incident and the loss being claimed. AXA had explained to P what information it needed and was waiting for that.

Any delay in the period I'm considering was short. The claim was being progressed and AXA was waiting for other information. I don't consider it caused an unreasonable delay when looking at the circumstances as a whole.

My final decision

My decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 7 January 2025.

Peter Whiteley
Ombudsman