

The complaint

Mr S is unhappy with the decision made by Zurich Insurance PLC (Zurich) following a claim for damage to several rooms under a block building insurance policy.

Zurich is the underwriter of this policy. Part of this complaint concerns the actions of third parties instructed on the claim. Zurich has accepted that it is accountable for the actions of third parties instructed by it. In my decision, any reference to Zurich includes the actions of any third party instructed by Zurich during the course of Mr S's claim.

What happened

In January 2023 Mr S contacted Zurich to report '*water ingress and damp and mould coming through*' causing damage to several rooms in his property. The events following Mr S's claim are well known to both Mr S and Zurich. So I haven't repeated them here. Mr S complained to Zurich about the delay in dealing with his claim. Zurich responded to Mr S's complaint in December 2023, and offered £750 in recognition of its poor service, and the impact on Mr S.

Unhappy with Zurich's response, Mr S referred his complaint to this service for investigation. The investigator found that the service provided by Zurich had been poor, but didn't recommend Zurich do more to put things right.

Mr S disagreed. Mr S said the compensation didn't recognise the months of stress caused by the delays on the claim, and Zurich should pay for the loss of rent and council tax as he is out of pocket because of these costs. As the complaint couldn't be resolved, it has been passed to me for 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 policy schedule records Zurich as the insurer, and the housing group (Y), as the policyholder. Mr S is a leaseholder of the property managed by Y. In line with our rules, this Service is able to consider Mr S's complaint about his claim because of Mr S's beneficial interest in the policy.

Trouble and upset compensation

Firstly I note Mr S's comments about his personal circumstances, including his health, and challenges he has been dealing with. I'm empathetic to all that Mr S has explained, and I would like to thank Mr S for taking the time to share this information with me. As I understand this cannot be easy to share. I'd like to reassure the parties that although I've only summarised the background to this complaint, so not everything that has happened or been argued is set out above, I've read and considered everything that has been provided.

Mr S's claim was reported in January 2023. Zurich arranged for one its approved contractors (P) to manage Mr S's claim. In February P instructed a surveyor, E, to inspect the damage and confirm whether Mr S had a valid claim.

E attended Mr S's property and provided a summary of its findings, including photos taken at the time of its inspection, to evidence the damage caused. These findings confirmed Mr S had a valid claim. Mr S was told by Zurich *'we can proceed with the internal repairs once we have confirmation the externals have been completed.'* I note the confirmation referred to by Zurich was needed from Y.

I have seen that this is when substantial delays were caused in the handling of Mr S's claim. Zurich say it was for Mr S to provide confirmation that external repairs had been completed. Given the progression of Mr S's claim was dependant on this confirmation, if Zurich felt it was for Mr S to obtain this confirmation (which I don't agree it was, for reasons I've explained below), I would've expected Zurich to clearly inform Mr S about this requirement. This includes setting clear deadlines, and actively chasing for this evidence from Mr S.

I've considered the relationship between Zurich and Y. And specifically that Y is a commercial policyholder, in comparison to Mr S being a leaseholder of Y. Zurich maintain that it wasn't its responsibility to chase any information from Y, yet it did instigate this process in January 2023, but never followed up on its enquiries. I think Zurich should've done more to get the confirmation it needed from Y directly.

Zurich failed to active manage Mr S's claim for several months. Because of this, Mr S was told in November 2023, nine months after reporting his claim, that it wouldn't be covered. It wasn't until Mr S made his own enquiries that Zurich took the time to properly understand Mr S's concerns. It was only then that Zurich determined that external repairs had been completed, and that this had been done prior to Mr S reporting his claim. This confirmation could've been achieved much sooner had Zurich done more to engage with Y itself. It's clear Zurich was in contact with Y about other claim related issues, but the question of external repairs wasn't clarified despite both parties discussing other issues.

As the business responsible for managing Mr S's claim, the responsibility was on Zurich to act with efficiency and purpose in a timely way. And I can't see that it did this. Because of this failure, Mr S was incorrectly advised about the outcome of the communication from Y in November 2023, only for this to be changed. This would've caused undue stress and upset for Mr S at a time that he was already feeling frustrated with the amount of time that had passed in dealing with his claim. I have considered the impact of this poor service when determining what fair compensation should look like.

I have seen that following the communications between Zurich and Y about Mr S's claim, a site visit was arranged by Y which took place in May 2023. I note Zurich has referred to the outcome of this site visit in supporting its findings about unrelated insurance damage (by reference to poor ventilation). But this visit wouldn't have been needed if Zurich had received confirmation of the external repairs. Given it had contacted Y to arrange a site visit, it could equally have used this opportunity to discuss the issue of the external repairs, which would've prevented further delay on the claim.

In June 2023 Zurich instructed a second surveyor (B) to attend Mr S's property. Zurich say this was because P was no longer working with the initial surveyor E, so a new surveyor was needed to determine what repairs would be covered by the claim. Mr S says the scope of his claim was reduced following the findings of B, and damage that he thought should've been covered, wasn't included in the cash settlement offer made to him.

Mr S says he was led to believe that the damage seen in February 2023 (with photo evidence) would all be covered. Zurich say a scope of repairs wasn't completed by E. I note Mr S strongly rejects this. But as it stands the evidence from E only shows Mr S had valid claim. What it doesn't do, crucially, is provide a breakdown of the repairs that E deemed insurance related, and covered by the policy. So it was necessary to instruct a second surveyor to do this. But I have considered the delay in appointing a surveyor to complete a scope of repairs, and the disappointment caused to Mr S as a result of a new surveyor being instructed so late in the claim (in June 2023), when determining what fair compensation should look like.

I'm satisfied Zurich is responsible for the delays caused on Mr S's claim, both in communicating the outcome of Mr S's claim, and instructing a surveyor to complete a scope of repairs in a timely way. Zurich say the primary cause of delay on the claim was confirmation from Y about external repairs being completed. It says it isn't responsible for this. But for the reasons I've explained, I'm not persuaded Zurich did enough to obtain this confirmation. I'm also persuaded Mr S was caused undue upset and stress by the incorrect communication about the outcome of his claim so late in the process. This could've been avoided if Zurich had actively engaged with Y, as it was doing for other aspects of Mr S's claim, and clarified the position in respect of external repairs much sooner than it did.

Having considered what has happened, and the impact on Mr S, I think £750 compensation for the poor handling of the claim, and the impact on Mr S is broadly fair and reasonable, and in line with what this service would direct in the circumstances. This amount takes into consideration the undue delays in dealing with Mr S's claim, and the months that passed whilst waiting for remedial work to begin. Because of these delays, Mr S was forced to continually raise issues with Zurich about the delays and impact on his well-being.

I've considered Mr S's representations about what he considers would be fair and reasonable compensation in the circumstances. But in considering our award bands, and what's happened on this claim, I am persuaded £750 is fair and in line with our approach. In reaching this decision I've considered what Mr S has explained about the many months of delay, and the property sitting empty. But I'm also mindful that Mr S wasn't directly impacted by the mould and poor living conditions, as he wasn't living in the property at the time.

I'm also mindful that the need to claim on an insurance policy inevitably causes some upset and inconvenience, even when things progress as they should. And it's important that any direction I make to Zurich reflects the upset it has caused by its failings, rather than the upset of having to deal with the insurance claim itself. Mr S has cited loss of rent one of the biggest concerns for him with what has happened with the poor handling of his claim. But the policy didn't provide for this cover (for reasons I have explained below), so I haven't considered the impact of this when deciding what fair compensation should be.

All things considered, for the reasons explained, I think the compensation offered of £750 is fair and reasonable, and in line with our approach. Mr S has advised that he hasn't received this compensation. I'll be directing Zurich to pay this amount. It is for Mr S to decide if he wants to accept it, or not.

Loss of rent and payment for council tax

The policy booklet explains:

5. Loss of Rent or Temporary Accommodation

The insurer will indemnify the insured in respect of:

a) loss of rent;

The policy booklet defines '*insurer*' as Zurich, and '*insured*' as stated in '*the schedule to this policy*.' The policy schedule records Y as the insured. So I'm satisfied that the benefit under section five of the policy booklet relating to loss of rent was for Y to utilise. In practical terms, this would mean Y would be the beneficiary in the event that it needed to make a claim for loss of rent following an insured event.

I'm satisfied the policy is clear that only Y as the named insured is covered for any loss of rental income, in the event that it is impacted. Mr S is not a named insured and so he cannot claim for this. This is in line with our approach concerning block insurance policies and the intended beneficiary of loss of rent provisions. I sympathise with the situation Mr S found himself in, and the upset caused by what's happened, but it was reasonable for Zurich to say the policy doesn't cover him for loss of rental income, or payment of his council tax.

My final decision

For the reasons provided I uphold this complaint. I direct Zurich Insurance PLC to pay Mr S £750 compensation (as previously offered) if this amount hasn't already been paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 26 December 2024.

Neeta Karelia
Ombudsman