

The complaint

Mr K complains that Great Lakes Insurance SE (“Great Lakes”) has unfairly declined a claim made under his landlord’s insurance policy.

Mr K’s representative has corresponded with us on his behalf about this complaint. For ease, I’ll refer to the representative’s comments as Mr K’s own.

What happened

In June 2023, Mr K discovered that the tenants at his property had caused damage as a result of the illegal cultivation of drugs at the premises. As well as causing damage, Mr K said items had also been stolen. So he made a claim under the landlord’s insurance policy he held with Great Lakes.

Full cover for the claim was declined and Great Lakes said it would only provide cover of £5,000. In its letter to Mr K’s representative, it said that the policy contained an endorsement which would’ve provided fuller cover if the requirements of the endorsement were adhered to, which they weren’t.

Great Lakes said it wasn’t satisfied, from the information Mr K had provided, that proper inspections of the building had been undertaken, that the tenants’ employment statuses were in line with the endorsement’s requirements, that all background checks had been carried out, and that details of the tenants’ bank account had been adequately recorded.

Mr K complained. He said he believed he’d met all the policy conditions and couldn’t understand why the full claim had been refused. In its response, Great Lakes referred to the policy term which stipulated that there was a £5,000 limit for illegal activities at the property, and that an extension to this was in place – but that would be subject to *all* the endorsement requirements being met, which it said Mr K hadn’t yet demonstrated.

Mr K didn’t agree with Great Lakes. He said he hadn’t been able to rent out the property since the damage occurred and has suffered a financial loss as a result. He also said he couldn’t afford to have the property repaired. So he referred his complaint to this service for an independent review.

Our Investigator considered the complaint, but didn’t think it should be upheld. She said Great Lakes hadn’t treated Mr K unfairly by limiting the amount he could claim, as he hadn’t been able to show that all the conditions set out in the policy had been met.

Mr K didn’t accept our Investigator’s opinion. He said he’d carried out inspections of the property himself and sent us his handwritten notes. He said the other requirements related to new tenants, not the existing ones that had been resident for nearly two years before the tenancy was renewed.

Because Mr K didn’t agree with our Investigator, he asked for the matter to go before an Ombudsman for a final decision. So the complaint 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.

As this is an informal service, I'm not going to respond here to every point or piece of evidence Mr K and Great Lakes have provided. Instead, I've focused on those I consider to be key or central to the issue. But I would like to reassure both parties that I have considered everything submitted. And having done so, I'm not upholding this complaint. I'll explain why.

Given the type of damage which occurred, Mr K made a claim under the *"Illegal Activities at the Premises"* section of his policy. I've looked carefully at this section, which states:

*"We will pay the costs incurred by You as a result of loss or damage to the Buildings for the purpose of cultivating drugs caused by Your tenant.
The maximum amount We will pay is £5,000 for any one claim."*

I've also checked the policy endorsement which applies to this section, which is set out in the policy schedule. This says:

"We will pay for Damage arising from Your tenants use of the Premises for the manufacture, cultivation, harvest or processing by any other method of drugs classed as a controlled substance under the Misuse of Drugs Act (1971), provided that You or anyone acting on Your behalf:

- a. carries out internal and external inspections of the Buildings at least every three months or as permitted under the tenancy agreement. You must:*
 - i. maintain a log of such inspections and retain that log for at least 24 months, and*
 - ii. carry out a six monthly management check of the inspections log*
- b. obtain and record written formal background identification of any prospective tenant*
- c. obtain and retain a written employers reference for any new tenant*
- d. obtain and record details of Your tenants bank account and verify those details by receiving at least one payment from such account, and*
- e. advise Your tenant, where sub-letting is allowed by the tenancy agreement that they must follow the procedures laid out in items (2) (3) and (4) for all lettings that they arrange."*

The endorsement is worded in such a way that it makes clear that each requirement on the list must be met in order for the policy to provide full cover in relation to a claim for damage caused by illegal activities at the property. I've seen the information that Mr K provided in support of his claim, to show that he'd complied with the requirements of the endorsement.

Mr K has said that the conditions relating to background checks only apply to new tenants and not the existing tenants living at the property. However, in order for the claim to pay out, Great Lakes would need to be satisfied that internal and external inspections of the property had been carried out every three months, with a log being maintained and retained for at least two years – as well as a six-month management check of the inspections log.

Great Lakes declined to provide full cover due to the lack of evidence pertaining to regular inspections. I've seen the photographs of the notes Mr K provided and I can understand why Great Lakes don't consider these sufficient to indicate that proper inspections occurred. I say this because, among other things, the diary appears to be a 2024 diary (which is evident from looking at which days of the week each date falls on), and such a diary is unlikely to have been readily available as early as 2022 – and even if it were, one might question why a

2022 or 2023 diary wasn't used to log inspection records if these notes are indeed contemporaneous.

Furthermore, the handwriting isn't all legible, and the notes contain very little detail of each inspection. Given that the purpose of the endorsement is to reduce the risk of illegal activities taking place at the premises, I find it unlikely that regular inspections were carried out on the basis of the evidence provided and the damage that was caused. And so I can't conclude that Great Lakes has acted unreasonably by not accepting these notes as evidence of regular inspections.

Great Lakes said regarding Mr K's theft claim, that it was awaiting a police report – which I consider a reasonable step. But I'm afraid that for the reasons I've given, I don't consider Great Lakes to have treated Mr K unfairly in relation to the damage claim. So I'm sorry to disappoint Mr K, but I won't be requiring Great Lakes to do anything differently.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 28 January 2025.

Ifrah Malik
Ombudsman