

The complaint

Ms H is unhappy with U K Insurance Limited trading as Churchill's (Churchill) handling of claims made under her commercial insurance policy.

Any references to Churchill include its agents.

What happened

In February 2023, Ms H contacted Churchill to make a claim for damage to a property she rents out. She said the tenant who had just moved out had maliciously damaged her property. Ms H says over the next few months there were a number of confusing communications with Churchill in terms of how the damage had occurred and how much of the damage was covered by the policy. Ms H made a complaint to Churchill. They issued their first final response letter in May 2023 in which they set out why they didn't consider many areas of the property had been maliciously damaged. They said some areas of damage would be considered as accidental.

By June 2023, Ms H felt the claim wasn't progressing. She raised a further complaint saying here were a number of promises made about payments due and damage that would be covered which weren't delivered. Ms H criticised a lack of clear communication about the excesses being applied and under which insured event each area of damage was being considered.

To put things right, Ms H said she wanted a complete breakdown of how the claims had been considered, including which insured events the damage was considered under and a clear explanation as to why some areas of damage weren't being covered.

In the second final response letter sent on 20 September 2023, Churchill said their position on malicious damage had been set out in the first final response letter which was issued on 9 May 2023. They said the excess set out on the policy schedule showed an escape of water claim would incur a £500 excess whilst an accidental damage claim would incur a £200 excess. They said they'd previously set out why some damage to the living room floor wasn't considered to be malicious but agreed to only apply one escape of water excess to the two leaks in the kitchen. Churchill said the claim hadn't been handled to a high standard and offered Ms H £300 compensation in recognition of this.

Ms H was unhappy with this response. In January 2024 Ms H referred her concerns to the Financial Ombudsman Service. She said Churchill had taken five months to respond to her complaint, but she felt there were still inaccuracies with how the claim had been handled which had impacted her renewal premiums. This included inaccurate recording of the number of claims made and amounts these were settled for and confusion about the excesses applied. Whilst the property had been rented out again, Ms H said it was rented out below market value. Ms H said she'd like a *"clear breakdown and explanation of the valuations they've given for each claim item"* and for Churchill to explain why some areas of her claim hadn't been accepted.

Ms H's concerns were passed to one of our investigators who said overall, he thought Churchill had handled the claim appropriately and made a reasonable offer in respect of compensation. As Ms H didn't agree, this matter has been passed to me.

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 think it's also helpful to clarify here the timeframe I'm able to consider in this decision. This is from 9 May, when the first final response letter was issued until 23 September 2023, when the second final response letter was issued. I've issued a separate decision on why I'm unable to consider any of the concerns Ms H raised about Churchill's handling of the claim up until 9 May 2023. And I can only consider Churchill's handling of the claim up until 23 September 2023, when the final response letter was issued.

Ms H has also raised issues about Churchill's handling of her claim after 23 September 2023. She raised concerns about how many claims have been logged and the impact this had on her renewal premiums. Ms H says she was told she must stay insured with Churchill while her claim was being considered. Ms H has also said Churchill's handling of the claim has impacted the rental income received. These issues don't form part of the complaint I'm considering. If Ms H remains unhappy with any response Churchill provides or has provided to these issues, she may seek to refer any concerns back to this Service as a separate complaint.

For those issues I have been able to consider, I'd like to reassure Ms H that while I've summarised the background to this complaint and her submissions to us, I've carefully considered all that's been said and sent. In this decision though, I haven't commented on each point that's been made and nor do our rules require me to. Instead, I've focused on what I think are the key issues.

The damage Churchill said they will consider:

I think it's helpful to say here that Ms H's policy doesn't provide unlimited cover for any damage caused to her property by her tenant or otherwise. The policy schedule and terms set out what damage or events Churchill will provide cover for, and I can only require Churchill to cover damage they've agreed to, which is set out under the policy terms. And for the timeframe I'm able to consider (between May and September 2023) it doesn't appear Churchill made any offers to settle the claim, so I'm unable to say if any offers made after the September 2023 were fair.

In June 2023, Churchill said there were several issues they would consider damage for, but that Ms H needed to provide more information. Churchill said they'd consider the damage to the living room and kitchen floors and the wardrobe in the bedroom if further reports were provided which set out the extent of the damage in each area and estimates to reinstate the living room and kitchen floors. Ms H had previously provided an estimate to replace the wardrobe, but it appears the quote was to replace the entire unit when it wasn't clear if the entire unit had been damaged.

I've considered the images provided and Ms H's description of the areas of damage. Based all of these provided up to September 2023, I think it's reasonable that Churchill asked for more information to help determine how the damage had occurred.

Ms H told us when it came to damage in the kitchen, she was unhappy with the offer Churchill had made. Their offer for damage was made after September 2023 so I can't

comment on whether it's fair. Though I note Churchill has told us that they will consider costs related to the removal of the damaged units which hadn't been included in the offer made.

Ms H says she isn't certain where things stand on all areas of her claim. It's clear as of when the second final response letter was issued on 23 September 2023 the claim hadn't been fully resolved. I appreciate things have since moved on from that point but to clarify where things stand, I consider it would be helpful if Churchill sent Ms H a summary of their decision on each element of damage Ms H reported in February 2023. This should also include if there is any outstanding information requested to progress the claim.

Excesses and have the claims been categorised correctly?

Ms H complained about the excesses applied, saying none should apply for the damage caused maliciously. She said that she understood her excess for the remaining damage to be £200. On the policy schedule I can see the excess for accidental damage is £200, but for an escape of water it's £500. I'm satisfied the schedule sets out clearly the excess to be applied for different insured events.

Churchill said they'll consider the water damage in the kitchen as one incident, despite the fact there appears to have been leaks from two sources – the kitchen tap and the washing machine. The policy terms define an escape of water as:

“10 Escape of Water from any tank, apparatus or pipe...”

With this in mind, it doesn't seem unreasonable to say the leaks from the washing machine and tap were two separate escapes of water (which occurred from either an apparatus or a pipe as defined by the policy). However, Churchill has said they'll consider these as one incident and apply one excess. I'm satisfied this is reasonable.

Delays

It's accepted that Churchill's handling of this claim has impacted Ms H. She's said she's been a landlord for over 20 years and never had to make a claim before. So, I can understand having to make a claim under these circumstances has been difficult and given this is a rental property, she's been keen to get the matter resolved.

Churchill accept there have been delays in their handling of the claim between May and September 2023. They've offered £300 compensation to recognise the impact their handling of the claim had on Ms H during this time. I'm satisfied this is fair compensation for the impact their handling of the claim had on Ms H during the timeframe I can consider so I'm not going to require Churchill to increase this.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 27 February 2025..

Emma Hawkins

Ombudsman