

## **The complaint**

A company, which I'll refer to as F, complains that Travelers Insurance Company Limited declined a claim on F's business protection insurance policy.

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

## **What happened**

F hires out boats for customers to use on a lake, which is owned by the local council.

The council issued a "Notice of temporary suspension of water sports" saying the lake was to be closed while testing was carried out, as blue-green algae might be present in the water. A further notice was issued around 10 days later advising that water sports could start again. F had to stop operating during that period.

Mr S made a claim on the business interruption section of F's policy for the lost revenue but Travelers Insurance declined the claim, saying there had been no damage to property that prevented access to the site, and the presence of algae wasn't a sudden event, so the requirements set out in the policy terms had not been met.

When F complained, Travelers Insurance didn't change its position, but our investigator said the complaint should be upheld. The investigator said the council's decision to close the lake was a sudden event, and this was what had stopped F's activities. She asked Travelers Insurance to reconsider the claim.

Travelers Insurance disagrees and has requested 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, and not unreasonably reject a claim.

The policy covers business interruption where there's prevention of access, as follows:

*"...as a result of any sudden event resulting in*

- 1. destruction or damage to property in the vicinity of the Business Premises which will prevent or hinder the use of the Premises or access to them or cause loss of custom to you directly due to loss of amenities in the immediate vicinity whether the Premises or your property in the Premises are damaged or not; or*

2. *the blockage of:*

2.1 *any insured Property comprising a berth, wharf, dock or quay used in the Business for mooring Vessels: or*

2.2 *any approach channel or waterway to the Premises.  
or as a result of physical loss or damage”*

Travelers Insurance says the presence of algae wasn't sudden and did not cause a blockage. And it doesn't agree that the council's decision to stop the lake being used amounts to a "sudden event" for the purposes of the policy – it says there must be a sudden physical event that causes a blockage to the property comprising a berth, wharf, dock or quay used by F for mooring vessels, or an approach channel or waterway. I've considered its comments carefully but don't think this was a reasonable way to apply the policy term.

The policy term refers to there being *either* damage *or* the blockage of the berth, wharf, dock or quay, or the water. So it's not relevant that there was no damage to F's property. If there was a blockage caused by a sudden event, that would satisfy the policy term.

The build-up of algae wouldn't be a sudden event. But it wasn't the suspected presence of algae that caused the interruption to F's business – it was the council's decision to close the lake. It doesn't appear to be disputed that F had no choice but to comply with that notice. And Mr S says the council blocked access to the lake with barriers and emergency tape.

The policy doesn't define a "sudden event", but it doesn't require there to be a sudden "physical" event. As far as F was concerned, it was served with a notice to stop using the lake, and prevented from doing so. That happened suddenly. Applying the ordinary meaning of "sudden" I'm satisfied the council's decision to close the lake and prevent F (or anyone else) from using it was a sudden event.

The policy doesn't define "blockage". I've considered the ordinary definition of a blockage. A typical definition for this would be "*something that stops something else passing through, or the act of stopping something passing through*". I'm satisfied that is what happened here. F was prevented from accessing the lake or the area around the dock where the boats were used.

Applying these definitions would, in my view, also reflect the intention of the parties and the commercial sense of the agreement. The purpose of this section of the policy is to provide cover in circumstances where something happens suddenly, which prevents F from using the lake. That's what happened here.

In these circumstances it wasn't fair to decline the claim on the basis there was no sudden event. Travelers Insurance should treat this as a sudden event resulting in a blockage, and reconsider the claim in line with the remaining policy terms.

### **My final decision**

I uphold the complaint and direct Travelers Insurance Company Limited to reconsider the claim in line with the remaining policy term.

Under the rules of the Financial Ombudsman Service, I'm required to ask F to accept or reject my decision before 8 April 2025.

Peter Whiteley  
**Ombudsman**