

The complaint

Mr F complains about the way Society of Lloyd's ("SoL") dealt with a claim made on a commercial buildings insurance policy.

Mr F has nominated a representative to deal with matters for him, however for ease I will only refer to Mr F in this decision.

What happened

Below is a summary of the main events that led to the complaint:

- There was a fire at a property Mr F owned in January 2022.
- Mr F initially didn't think he could make an insurance claim, so he didn't contact SoL until August 2022.
- Mr F provided SoL with more details about the rental situation at the property and a report detailing the repairs that would be required.
- SoL considered the claim but initially declined it in January 2023 saying Mr F hadn't met the requirements of the policy. Specifically, it highlighted he had not notified it the property was unoccupied or, that damage had been caused to the property, it said there was no evidence the building had been inspected internally and externally at least once a week and ensured the building was secure.
- Mr F challenged the decline of the claim on the basis the property hadn't, at the point of the fire, been unoccupied for more than 60 days, which is the point after which the level of cover provided by the policy would have been reduced. SoL replied confirming that in any event, Mr F had not been able to evidence the other requirements of the policy had been complied with.
- Mr F enquired about selling the property at Auction in March 2023.
- In May 2023 Mr F obtained a statement from the company that had rented the property from him, detailing that the property had been visited a couple of days before the fire and the checks that had been made. Mr F provided this to SoL the same month.
- The property was sold in June 2023
- SoL accepted the claim in July 2023.

Mr F has made several complaints at different points in the claim journey about the way SoL dealt with it. The main points he is unhappy about are:

- SoL's initial decline of the claim was incorrect and premature. It would have provided cover for an unoccupied property subject to evidence of inspections being given. It simply could have asked for him to obtain a statement at that point rather than declining the claim.
- Due to the declining state of the property, and the issues it was causing, he was forced to sell it.
- If SoL had been clearer in what it required earlier, the claim would have been accepted, and the property would not have been sold. He has lost out on future potential rental income from the property and made a loss on its market value to due the state it was sold in. He also incurred auction and solicitors' fees associated with the sale and it

- prompted a capital gains tax liability earlier than he otherwise intended.
- Loss of rent has been incurred, and he has been liable to pay council tax fees which would have usually been covered by the tenant.
 - He thinks he should be paid what it would have cost SoL to repair the property.

SoL in its consideration of the claim and the complaints offered the following to Mr F:

- A payment for the difference in the market value of the property prior to the fire and the sale price he obtained at auction.
- To cover the cost of the surveyor's fee
- To consider a loss of rent claim and pay £250 compensation for not keeping him updated on the progress of that claim

SoL said it would not cover the Auction or solicitors' fees or, the capital gains tax liability, as these are costs Mr F would always have incurred upon selling the property. It also said that council tax costs would not be covered by the policy and the evidence on file suggested the previous tenant moved out in July 2022.

An Investigator considered the complaint and explained to Mr F she thought SoL had acted reasonably. She said she didn't think it had incorrectly declined the claim in the first instance and agreed it didn't need to pay any further costs to Mr F. She explained that as Mr F chose to sell the property and therefore repairs were no longer required, it was reasonable for SoL to pay him the difference in price rather than the costs it may have otherwise paid out for repairs.

Mr F asked for an Ombudsman to review the complaint. In doing so it reiterated much of what he had previously said. He remained of the opinion that SoL should pay him all that he believed to be outstanding, including paying the equivalent amount to the costs of repairing the property. Mr F maintained it wasn't reasonable for SoL to decline the claim in the first instance and require evidence of inspections when this isn't set out in the policy.

Mr F also confirmed the loss of rent claim had now been settled and he was happy with the compensation amount SoL offered in relation to this, so I don't need to consider these aspects.

The case 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.

Having done so, I agree with the conclusions reached by the Investigator for the following reasons:

- I understand the reasons why Mr F didn't report the property being unoccupied to SoL and his reasons for not initially letting it know about the fire. However, given the fire happened within 60 days of the policy becoming unoccupied it still would have been covered if the rest of the terms of the unoccupied building condition had been met.
- The policy term SoL relied upon to decline the claim does state “..b) *the Buildings are inspected internally and externally at least once during each week by You or on Your behalf*”. Had the property been inspected by Mr F he would have been able to give SoL details about the property and what he had seen. But as it was inspected on his behalf, I don't think it was unreasonable for SoL to expect to see some evidence of this. I don't

think it needed to explicitly set out what evidence it would expect or, accept, in the policy terms as this requirement could be fulfilled in different ways.

- Given the information initially provided to SoL was that a third party had visited the property in the days prior to the fire but there were no formal logs of any inspections having taken place or, anything which could detail what had been checked or observed at the property. I don't think it was unreasonable for SoL to conclude the policy term hadn't been met.
- I'm satisfied that SoL explained to Mr F at the end of January 2023 that it was for him to show the terms had been complied with.
- It took SoL just over five months to initially decline the claim. Given this was a fire claim and the investigations that are required, I don't think this was an unreasonable amount of time.
- Mr F didn't provide a statement from the renting company confirming this information until May 2023, by which time it appears he had already enquired about and, started the process of selling the property at auction.
- I understand Mr F thought he had no option but to sell the property, it was in a poor state which was starting to cause other issues, and he couldn't afford to repair it. However, this remained his choice to do so at the point he did, he could have obtained the statement at an earlier date or waited for SoL's response to it.
- The fact that Mr F did sell the property means that repairs to it were no longer required. So, I think it was reasonable for SoL to pay the difference in the market value of the property instead. Mr F did not sell the property having undertaken repairs so that wasn't a loss that was ever incurred by him.
- I'm satisfied that Mr F would always have incurred costs in selling the property, and its sale would have likely produced a capital gains tax liability also. So, I don't think SoL need to cover these.
- While I recognise the property was sold earlier than Mr F ever intended, I'm satisfied it was the wider circumstances which led to that event rather than any error by SoL.
- Having looked at the policy terms I'm satisfied council tax liability isn't something that is covered by the policy, so I think it is reasonable SoL declined to pay this.

For the reasons above, I do not uphold this complaint.

My final decision

My final decision is that I do not uphold Mr F's complaint against Society of Lloyd's.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 16 July 2025.

Alison Gore

Ombudsman