

The complaint

Mr C complains U K Insurance Limited unfairly declined his landlord insurance claim.

UKI's been represented for the claim at points. For simplicity I've generally referred to the representative's actions as being UKI's own.

What happened

Mr C rented out a property. In April 2024, he discovered it had been used as a cannabis farm. The now abandoned property had been extensively damaged. This included damage to chimneys and beams from conversion for cannabis growing use. There was other damage, including to walls and flooring, from moisture and soil.

A claim for the loss was made against Mr C's UKI landlord insurance policy. In July 2024 UKI declined the claim. It was of the opinion the property's tenant was the operator of the cannabis farm. It said the policy provides cover for damage by 'Malicious Persons' but excludes any caused by tenants or any other person lawfully in the property. It concluded it had no liability for the loss.

Mr C complained about the decision to decline the claim and its claim investigation. In response UKI said the decline was correct. But it apologised for how long it had taken to reach that decision, offering £200 compensation. Mr C wasn't satisfied with that outcome, so came to the Financial Ombudsman Service. He said the point of insurance is to protect against this type of situation, but the decline had left him with an uninhabitable property, causing him a loss of rental income.

Our Investigator didn't consider Mr C concerns, Mr C had raised, about the sale of the policy. He said that would need to be looked at in a separate complaint about that act. After considering this complaint about the claim he didn't recommend UKI do anything differently. Having applied the policy terms, including its various insured perils, he was of the opinion it didn't provide cover for any of the damage to Mr C's property.

The Investigator considered Mr C's point that that the tenant might not have caused the damage, but he felt it was most likely was him. So he concluded the claim had been declined fairly and in line with the terms of Mr C's cover. Finally, he felt the £200 offered by UKI was a fair amount to recognise the avoidable inconvenience its handling of the claim had caused.

As Mr C didn't accept that outcome, the complaint was passed to me to decide. In line with the Investigator, I haven't considered here any concern of Mr C about the sale of the insurance.

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 C and UKI 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 that I have considered everything submitted.

Having done so, I'm not upholding Mr C's complaint.

UKI considered the loss under a damage by Malicious Persons insured peril. It doesn't appear to dispute the damage was done by a person acting maliciously. So I don't need to consider that aspect. Instead, it relied on an exclusion, to decline the claim. The exclusions wording is 'excluding damage h) caused by Your Employees, tenants or any other person lawfully in Your premises'. It's for UKI to show it's reasonable for it to rely on an exclusion to decline a claim. In this case it means showing the malicious person, causing the damage, was most likely the tenant.

I accept, as has been suggested by Mr C, that the tenant may not have been the one to damage the property when setting up and operating a cannabis farm. But without any persuasive evidence of that, the tenant is the most likely culprit. Mr C explained to UKI that the tenant had been paying the rent and occupying the property. A police report, of the cannabis farm, doesn't provide any persuasive evidence of an alternative. Indeed, Mr C has said he agrees the tenant most likely set up the cannabis operation.

Mr C has said it hasn't been considered that the property was abandoned by the tenant with some other persons forcing entry and contributing significantly to the extensive damage. Again, I accept that is a possibility. The most illustrative evidence of the damage is UKI's loss adjuster's report. Having considered that, I'm not persuaded there's likely any significant third-party, non-cannabis farm related damage. The damage appears largely to be consistent with conversion to, and operation of, a cannabis farm, rather than random vandalism. So I consider UKI's decision to decline cover under the 'malicious person' peril to be fair and reasonable.

There are other causes of damage covered by Mr C's policy. The Investigator considered the potentially relevant ones, including escape of water, impact damage and storm. He wasn't persuaded the evidence supported any of these applying.

I'm not going to consider here, in detail, each peril against the reported damage. But I would like to reassure Mr C I have undertaken those considerations. I haven't been provided with persuasive evidence from him, or UKI, that any of the damage is covered by the policy's other insured perils. Mr C says his business partner has reported extensive damage from water ingress, possibly through a flat roof. But as far as I'm aware he hasn't though provided any documentary evidence for UKI or this Service to consider. So I can't fairly find here that UKI should cover that under the policy's potentially relevant perils - escape of water, flood or storm for example. If Mr C can provide further relevant evidence, I'd expect UKI to consider it.

To conclude, I can't say UKI has treated Mr C unfairly, or failed to meet the terms of his insurance, by declining his claim. I consider its offer of £200 compensation to be a fair amount for it to pay for the avoidable delay and inconvenience it caused during its assessment of the claim.

My final decision

For the reasons given above, U K Insurance Limited will need to pay Mr C, if it hasn't already, £200 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 17 April 2025.

Daniel Martin
Ombudsman