

The complaint

Mr F complains that Fairmead Insurance Limited (“Fairmead”) unfairly declined a claim he made for loss of rent under his landlord insurance policy.

What happened

Mr F holds a Residential Property Owners Insurance policy with Fairmead. In February 2023, he discovered damage to the property following the eviction of his tenants. So he made a claim.

Fairmead appointed a loss adjuster to visit the property and assess the damage. The loss adjuster provided a report which commented on the condition of the property and also mentioned Mr F was planning to sell the property rather than re-let it.

Fairmead accepted liability for the damage caused. Mr F later told Fairmead he also wanted to claim for 8 months of lost rent. But Fairmead declined this aspect of his claim, saying the tenants hadn’t moved out due to damage from an insured event, but due to their eviction. It added that the repairs had been completed by May 2023 so the property was habitable by that point.

Mr F didn’t agree, so he made a complaint. In its response, Fairmead said it wasn’t going to cover loss of rent because there was no rent due to Mr F, as he’d evicted the previous tenants and there were no tenants lined up. So it felt there had been no financial loss to cover.

As Mr F didn’t accept Fairmead’s response, he referred his complaint to this service. Our Investigator considered it, and recommended that the complaint should be upheld. While she didn’t think Fairmead was liable to pay 8 months of lost rent, she did think it should cover the loss in rent from the beginning of March 2023 when it had acknowledged the claim, until the property was made fully habitable for tenants at the end of June 2023.

Fairmead didn’t agree with our Investigator’s recommendations. It said the loss of rent provision in the policy was for the recovery of rent a landlord would’ve been receiving – but as the tenants were evicted, Mr F would not have been due any rent. As an agreement couldn’t be reached, the complaint has been passed to me for an Ombudsman’s 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.

As this is an informal service, I’m not going to respond here to every point raised or comment on every piece of evidence Mr F and Fairmead 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 upholding this complaint. I’ll explain why.

The insurance industry regulator, the Financial Conduct Authority (FCA), has set out rules and guidance about how insurers should handle claims. These are contained in the 'Insurance: Conduct of Business Sourcebook' (ICOBS). ICOBS 8.1 says an insurer must handle claims promptly and fairly; provide reasonable guidance to help a policyholder make a claim and give appropriate information on its progress; and not unreasonably reject a claim. It should also settle claims promptly once settlement terms are agreed. I've kept this in mind while considering this complaint together with what I consider to be fair and reasonable in all the circumstances.

I should first clarify that in this decision I'm only considering matters that were addressed in the final response letter from Fairmead dated 5 June 2024. I won't be commenting on Mr F's complaint about the overall length of time it took for his claim to be considered and resolved, as I can't see that issue had been raised with Fairmead when the complaint came to this service. I understand Mr F has been made aware that if he wishes to pursue that complaint, he can take this up with Fairmead directly before referring it to this service if needed.

I've considered the dispute about the loss of rent claim. The terms of Mr F's policy say:

"If the Home is damaged by any cause covered under Section 1 – Buildings and, as a result, cannot be lived in, We will pay for:

- (a) Loss of rent due to You which You are unable to recover;*
- (b) Any costs of alternative accommodation for the Resident and the Resident's pets;*

until the Home is ready to be lived in."

Under *"What is not covered"* the policy says:

"(b) Any loss of rent or alternative accommodation payable after the Home is reinstated and ready for habitation".

So I've considered whether the circumstances which led to Mr F losing rental income are covered here. It's not in dispute that Mr F evicted his tenants. But the terms say loss of rent will be covered if the property is damaged by an insured event, which it was. It goes on to say that Fairmead will pay loss of rent "due" to Mr F – and I appreciate Fairmead's argument that the rent wasn't "due" as the tenant had been evicted.

But the evidence I've seen strongly suggests that, while a comment may have been made about Mr F's intention to sell the property, which Mr F strongly denies, it's clear he intended to re-let it. I say this because there's evidence that the loss adjuster was sent three separate copies of emails from the letting agents dated July and August 2023 with details of prospective tenants. So I consider Mr F did lose out on rent solely as a result of the damage from an insured event, because – had it not been for the damage – he would've re-let his property following the eviction of his previous tenants. And he did re-let it in November 2023 once he felt all repairs were complete.

In light of this, I think the fair and reasonable outcome to Mr F's complaint is that Fairmead should pay something in respect of lost rent. I don't think there's sufficient evidence that rent was lost for 8 months. But I'm persuaded that Mr F intended to re-let the property at some point following the eviction of his tenants in January 2023.

There was always going to be a period of unoccupancy following the eviction, and Mr F will be aware that the policy doesn't cover loss of rent for the amount of time it takes to advertise a property or arrange new tenancies. It only does so for the time a property is unoccupied due to claim related damage. Fairmead acknowledged the damage claim at the beginning of

March 2023, so I think it's fair for the loss of rent to be paid from that date, because I think Fairmead should've known at that point that Mr F had a valid loss of rent claim – and under ICOBs it had a duty to help its policyholder make that claim.

Fairmead says the property was habitable in May 2023, but I don't agree. The loss adjusters themselves contacted Fairmead in April 2023 to say the repairs could've been fully completed by the end of June 2023.

So I think the loss of rent claim should be paid for the period starting from when Fairmead acknowledged the damage claim on 3 March 2023, until the property could've been fully habitable – and meeting all the legal requirements for a tenanted property – at the end of June 2023.

I've considered the evidence Fairmead has sent in support of its position. This includes another Ombudsman's decision in which loss of rent was not awarded, following the eviction of tenants. Whilst I accept the circumstances of that case may be similar, they are not identical. And each case is decided on its own merits. I also can't comment on why another Ombudsman might decide a case differently, and while Fairmead says it has examples of several other decisions which support its stance, it will also find a number of decisions in which loss of rent has been awarded following the eviction of tenants. So I'm not persuaded that the decisions it refers to set a precedent for me to follow in the specific circumstances of this case.

In this case, I'm satisfied Mr F intended to re-let his property and did so – and was prevented from doing so sooner, due only to the claim related damage. He's therefore lost out on rent due to him and so I consider this should be covered, with interest from the point at which Fairmead could've reasonably accepted this aspect of his claim, to reflect the fact that he's been deprived of those funds. Mr F made the loss of rent claim on 15 September 2023 so I think it would've been reasonable for Fairmead to have accepted the claim within about a month. I'll therefore require it to pay interest from 15 October 2023 until the date of settlement.

I also consider that having to pursue his loss of rent claim, due to its unfair decline, has caused Mr F distress and inconvenience for which he should be compensated. I consider £150 is a fair and reasonable amount in the circumstances, as this reflects that the impact of Fairmead's actions and the delays in letting Mr F know its decision. Mr F had to put in considerable extra effort to sort things out and experienced disappointment and frustration following Fairmead's decision about his loss of rent claim.

Putting things right

Fairmead Insurance Limited should:

- Cover Mr F's loss of rent claim from 3 March 2023 until the end of June 2023 and pay interest on the total amount covered, at a rate of 8% simple per annum from 15 October 2023 until the date of settlement.
- Pay Mr F £150 compensation for distress and inconvenience.

My final decision

My final decision is that I uphold this complaint and I direct Fairmead Insurance Limited to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or

reject my decision before 14 June 2025.

Ifrah Malik
Ombudsman