

## **The complaint**

Mrs M complains that HDI Global Specialty SE (“HDI”) unfairly declined a claim she made under her home insurance policy for damage following a fire.

## **What happened**

In September 2021 there was a substantial fire at Mrs M’s property, which was being let out to tenants. Mrs M contacted her insurer, HDI to make a claim.

HDI began its investigations into the cause of the fire. There were signs that the property had been used to cultivate illegal drugs. Mrs M had already had work carried out to renew the roof in order to mitigate her losses and make the property secure. After several months, HDI accepted liability.

A schedule of works was prepared and a competitive tender process began. However, shortly after this Mrs M was notified that as the cause of the fire was the illegal cultivation of cannabis, a policy limit of £5,000 would apply.

Mrs M was unhappy about this and made a complaint. She said her insurer could’ve let her know this much sooner in the claim process as this had been explained to her two years after she made her claim. She also thought HDI had applied the policy restriction unfairly, based on a forensic opinion rather than evidence.

HDI said, in its response to Mrs M’s complaint, that the forensic report confirmed that the fire was likely associated with the propagation equipment and no other plausible causes were identified. So it felt it had enough evidence to apply the policy limit. It also apologised for any delays in the claim, but it didn’t consider that these had led to Mrs M suffering any additional financial loss.

Mrs M didn’t agree, so she referred her complaint to this service. Our Investigator considered it, but didn’t think it should be upheld as she agreed with HDI’s interpretation of the forensic report and didn’t think HDI had caused any avoidable delays.

Because Mrs M didn’t accept our Investigator’s opinion, the complaint has now come 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 Mrs M and HDI 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 not 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. They should also settle claims promptly once settlement terms are agreed. I've kept this all in mind while considering this complaint together with what I consider to be fair and reasonable in all the circumstances.

It's not in dispute that the claim took a significant length of time to resolve. My role is to determine whether the time taken was excessive in the circumstances, based on all the information presented to me, and whether HDI caused any avoidable delays. And having carefully considered the claim notes and everything Mrs M has said, I don't think the time taken was excessive in the circumstances, and I don't think HDI did cause avoidable delays.

I've read the extensive information provided by HDI in relation to gaps in the timeline of the complaint and I accept its explanation for these. It's explained what was going on behind the scenes to progress matters for Mrs M, with relevant dates and detail. Whilst Mrs M might not have always known everything that was happening, I'm satisfied HDI was regularly chasing third parties for responses, as well as carrying out relevant enquiries and investigations. And I haven't seen evidence of any delays that were avoidable.

I've considered what Mrs M's policy says about settling claims. It says, in relation to a limit of cover for *"Damage caused by manufacture, cultivation, harvesting or processing of any controlled substance: £5,000"*.

As HDI imposed the limit, the onus was on HDI to demonstrate that the limit fairly applied in the circumstances. Mrs M says HDI based this on opinion rather than factual evidence. But I should explain that in claims of this nature, where there isn't conclusive proof of a cause of a fire, an insurer will rely on what's most likely to have been the cause – based on the evidence, which often involves an expert's opinion. I don't consider this unreasonable.

In Mrs M's case, the forensic report says:

*"Based on the available evidence, the only remaining cause worthy of consideration is associated with the cannabis propagation equipment. It included grow lights with unshrouded high-pressure discharge lamps and temporary electrical wiring".*

The report also states that *"someone had interfered with the electricity supply equipment in order to obtain an illegal unmetered electricity supply for the propagation equipment"* and *"The FIO concluded that the fire was accidental and it was associated with the cannabis propagation equipment in the loft"*.

The report is detailed, outlining what was found in the property and what this indicated about the cause of the fire. It's supported by sufficient reasoning and photographs, so I'm persuaded by its conclusions that the most likely cause of the fire was the illegal cultivation of drugs. It follows therefore that I don't consider HDI to have applied the policy restriction in relation to damage caused by the cultivation of cannabis, unfairly.

I've considered the other information Mrs M has provided, but this hasn't affected my decision. I think HDI has offered a reasonable amount for loss of rent, and has acted in line with the policy terms. The loss of rent offer covers 18 months' worth of lost rent, and in the circumstances, looking at the reinstatement work that was required, I think this is fair. And I agree with our Investigator about the other losses such as the surveyor's invoice and the water bill. It's clear from what I've seen that the invoice is included in the £5,000 settlement and the water bill wouldn't be covered under the policy.

Mrs M has sent further submissions in response to our Investigator's opinion, but these haven't changed my mind. I don't agree that the assertion that the fire was caused by the growth of cannabis is unsubstantiated. As I've said, the forensic report is detailed, well-reasoned and persuasive. And where there isn't conclusive proof of a cause, we tend to make decisions based on the balance of probabilities – that is, what is most likely to have happened based on the available information. And I'm satisfied from everything I've seen, that the most likely cause of the fire was the cultivation of drugs at the property.

So, whilst I'm sorry to disappoint Mrs M, as I can see how much of an impact the fire has had on her, I'm afraid that based on the available evidence, I'm unable to agree that HDI has applied the policy limit unfairly or that it unnecessarily delayed matters for her.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 27 April 2025.

Ifrah Malik  
**Ombudsman**