

## **The complaint**

Mr A complains about how Zurich Insurance PLC handled a claim he made on a buildings insurance policy.

Reference to Zurich includes its agents.

## **What happened**

As the leaseholder of a property Mr A benefits from a buildings insurance policy between the freeholder of that property and Zurich. Following an escape of water in March 2023 Mr A made a claim to Zurich in April 2023 for the damage caused.

Zurich sent someone to assess the property in May 2023 and Mr A was asked to submit quotes for the works, which he did, in June 2023.

Following that, there were concerns around what works needed completing, with Mr A thinking more work needed to be carried out than Zurich. Mr A complained about the delays and said all the while his property was still suffering from damp, because no remedial work had been carried out. He said this meant the property was uninhabitable and as a result he's suffered a loss of rent, as well as having to pay the mortgage and service charge.

In November 2023 Zurich offered to settle the claim by paying Mr A £23,304.09. It also responded to a complaint made by Mr A. It agreed the claim hadn't progressed as well as it could have done, and that communication at times was poor. It offered Mr A £200 compensation.

Mr A didn't think this was enough and brought his complaint to us, he said the scope of works was still in dispute and said his losses (rent) and costs (mortgage and service charge) far exceeded the £200 paid by Zurich.

While we were investigating the complaint, in July 2024 Mr A accepted a payment of £48,353.47.

Our Investigator therefore didn't consider the claim settlement but focussed on the alleged delays in settling the claim. They thought Zurich was responsible for delays between June 2023, when Mr A submitted his quotes as requested up to July 2024 when Zurich settled the claim. They recommended therefore that Zurich consider loss of rent during that period.

They didn't however think it needed to do anything in relation to the mortgage and service charge because they thought this was something Mr A would always need to pay. They recommended the compensation for distress and inconvenience be increased to £400 in total.

Zurich didn't respond to our Investigator's assessment, so the case has come to me to issue an Ombudsman's decision.

I issued a provisional decision which said:

*“Like our Investigator, I’ll not be commenting on the settlement figure itself, it’s something Mr A has accepted and therefore I consider not be in dispute. If it is something he disputes, because it was made after Zurich’s final response letter, he’ll need to raise it as a separate complaint.*

*What I’ll consider in the scope of this complaint is the alleged delay, and the impact that had on Mr A. Our Investigator in their view said wholistically it made sense to bring that up to date – i.e. to the point the settlement was made in July 2024. Zurich hasn’t objected to that, and I think that’s the most sensible approach to follow here too.*

*As our Investigator pointed out, with any claim there’s a degree of distress and inconvenience expected. But here, that was made worse by Zurich’s actions. From the date of the claim up to the point Mr A submitted his quotes in June 2023, things looked to be progressing normally. But after that point, the communication standards fell and Mr A had to do a lot of the chasing.*

*Much of the delay looks to be focussed on the settlement, and while I’m not strictly looking at the settlement itself, the fact the settlement accepted was circa £48,000 inclusive of VAT, but the amount offered initially was circa £23,000 ex VAT shows that Mr A had valid concerns around how that settlement was calculated. I think it’s reasonable for Mr A to have expected a fair settlement initially, and if he had, the claim would have been settled much sooner.*

*Our Investigator recommended that Zurich consider Mr A’s loss of rent. They acknowledged that Zurich said loss of rent wasn’t something Mr A was entitled to under the policy (only the insured, i.e. the freeholder is entitled to that). But they thought this loss was caused by its actions.*

*I think that’s reasonable. There’s a distinction to be made between what’s covered by the policy, and what’s been caused by the insurer’s action (or inaction). So yes, strictly speaking the loss of rent isn’t something Mr A is insured for under the policy. But I’m not recommending Zurich pay loss of rent as a result of the insured event. I’m recommending Zurich pay loss of rent for the delay it caused.*

*So, to be clear, Zurich should pay loss of rent from July 2023 (shortly after Mr A sent in quotes and the point a reasonable settlement should’ve been made) to July 2024, (when Mr A accepted the settlement). Payment should be made upon Mr A evidencing that he has suffered this loss. So he’d need to show a tenancy agreement (or equivalent) in place before the loss, detailing what rent he was receiving, and evidence those tenants moved out because of the escape of water.*

*Our Investigator didn’t think the mortgage or service charge was something Zurich needed to pay, because they thought it was something he’s always have been responsible for. With the mortgage, I’m inclined to agree. But, depending on the tenancy agreement, Mr A’s tenants, not him, may have been liable for the service charge to the freeholder. If this is the case, and Mr A can evidence it, then Zurich should reimburse him what he’s paid in the time period set out above.*

*Like our Investigator, I think £400 compensation is a reasonable amount here. Mr A has had to do more chasing that should reasonably be expected, and his claim has moved slower. Those things will cause both distress and inconvenience.”*

Mr A didn’t respond to that decision. Zurich did. It objected to us looking into events following its final response letter in November 2023. And it provided further information which it thought supported that between June 2023 and November 2023 it was progressing the claim

and therefore wasn't responsible for delaying the claim for the entirety of that period.

I issued a further provisional decision which said:

*"It's disappointing here that Zurich has objected to us looking into matter past its final response in November 2023. Especially as we set that out in our Investigator's assessment – which Zurich didn't respond to. My findings on that point were based on a lack of evidence provided by Zurich for the period between November 2023 and June 2024, and we've still not been provided anything. But, because Zurich hasn't consented to us looking into that period, it is technically a different complaint to the one it addressed in November 2023.*

*Therefore, the scope of this decision ends when Zurich sent its final response in early November 2023.*

*Zurich has provided more information, which is again disappointing at this late stage in the investigation. But this does show that between June and November 2023, some action was being taken to progress the claim. And because Mr A isn't entitled to a loss of rent under the policy, I can't fairly require Zurich to compensate him for any lost rent while the claim was reasonably progressing. Nor can I fairly require it to pay Mr A's service charge.*

*But Zurich in its response to us acknowledges there is some delay between June and November 2023. From its submission, I make that delay to be 12 and a half weeks. So, during that time, the claim wasn't reasonably progressing, and the impact of that was that it took longer for the claim to be settled. So I'm still of the opinion Zurich should pay loss of rent and service charge for this period – for the reasons set out in my provisional decision above. That is, this is a loss stemming from Zurich's action/inaction as opposed to a loss stemming from the claim.*

*Zurich in its response has pointed to Mr A's responsibility to have adequate cover in place for any losses (such as loss of rent). And it's right in that regard. But Zurich has a responsibility to progress claims promptly and fairly, it's not done that here, and that's caused Mr A to be without rent for longer than he would have been had Zurich not caused the delays it did. So, regardless of what the policy provides cover for, Zurich should compensate for that loss."*

To put things right I recommended Zurich:

- *Pay Mr A the equivalent of 12.5 weeks' lost rent.*
- *Pay Mr A 12.5 week's service charge paid to the freeholder – subject to evidence set out above being provided.*
- *Pay 8% simple interest per annum to the above. Interest to be calculated from the date Mr A made the payments, to the date Zurich pays him.*
- *Pay Mr A £400 compensation.*

Mr A accepted those findings. Zurich didn't. It provided further information and explanation as to why it didn't think it was responsible for a 12-and-a-half-week delay.

### **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'm not departing from the findings in my latest provisional decision.

I appreciate what Zurich has sent. Again it's disappointing this has been provided at such a late stage in the process. But importantly it doesn't persuade me to come to a different outcome. Much of it speaks to timeframes I've not held Zurich responsible for, and the rest contradicts its previous response. In its previous response it acknowledges two delays, but here it seeks to suggest these weren't actually delays at all. Ultimately, I'm more persuaded by that first response.

Therefore, my final decision reflects the provisional decision set out above, both in terms of outcome and reasoning.

### **My final decision**

For the reasons set out above, my final decision is that I uphold this complaint. To put things right Zurich Insurance PLC needs to:

- Pay Mr A the equivalent of 12.5 weeks' lost rent.
- Pay Mr A 12.5 week's service charge paid to the freeholder – subject to evidence set out above being provided.
- Pay 8% simple interest per annum to the above. Interest to be calculated from the date Mr A made the payments, to the date Zurich pays him.
- Pay Mr A £400 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 14 May 2025.

Joe Thornley  
**Ombudsman**