

The complaint

H complains about the way HCC International Insurance Company Plc trading as Tokio Marine HCC (“Tokio”) has handled a claim it made on its buildings insurance policy, following an escape of water at its property.

H is being represented in bringing the complaint by one of its directors, for ease, I’ve only referred to H throughout the decision.

What happened

In Summer 2023 H purchased a home to rent out, H was carrying out works to the property but in October 2023 a leak caused damage. H made a claim under its buildings insurance policy and Tokio accepted the claim. Dissatisfied with the progress of matters, H complained about delays. In March 2024 Tokio responded to that complaint with a final response letter (FRL). It accepted it had caused some delay owing to an administrative error.

H referred that complaint to this Service, an Investigator considered it and recommended Tokio pay £150 compensation to recognise the impact of the delay. That complaint was resolved, but H remained unhappy with the progress of the claim. In May 2024 H asked for around £98,000 to settle the claim. In July 2024, Tokio made an offer of around £33,000 for what it considered the necessary reinstatement (shortly after, it increased this to around £33,500). That wasn’t accepted by H, and in September 2024 it asked for £50,000 to settle the claim.

Tokio didn’t agree to increase its offer; in November 2024 it issued payment of around £33,500, it said it would do so to assist H in limiting its loss, whilst the matter was still in dispute. H then referred a complaint to this Service, it said its losses (and compensation sought) amounted to around £430,000. Tokio said it would issue a further FRL, which it did in February 2025. It didn’t agree to change its position and didn’t think it was responsible for H’s claimed losses.

Our Investigator said she’d consider matters from after the previous FRL (April 2024) until February 2025. Having done so, she wasn’t minded to ask Tokio to increase its offer. She said it had asked reasonable questions of H, about the repair costs quoted, and hadn’t received responses. She thought Tokio had unreasonably delayed the claim by around two months, for which she recommended Tokio pay £200 compensation, but she didn’t think Tokio needed to make a loss of rent payment as there hadn’t been tenants in the property at the time of the claim.

She said whilst H sought compensation amounting to around £70,000 for its directors, H is the eligible complainant here, and so individual distress caused to directors couldn’t be considered by this Service.

Tokio accepted that outcome, H didn’t. It said it didn’t know how further information for the insurer could be produced since it considered its offer to be the maximum amount it would pay. It also said but for the claim, the property would’ve been rented out, and so under the policy it should be compensated for this lost income. As a resolution to the complaint H wanted the following:

- Tokio to issue an interim payment of £42,000.

- Tokio to be responsible for costs of appointing a surveyor and loss assessor.
- Tokio to provide a detailed schedule of works to enable repairs to proceed.
- An award be made for loss of rent, out of pocket expenses and significant distress and inconvenience caused.

As the matter wasn't resolved, it has come 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.

As this is an informal Service I'm not going to respond to every point made or piece of evidence referred to by the parties. Instead, I'll focus on the key reasons for reaching the outcome that I have. As I see it, H's response to our Investigator outlines the matters still in dispute, so I've focussed my decision on addressing these.

Settlement of the claim

Tokio's policy terms allow it to issue a case settlement, instead of carrying out repairs. So its decision to cash settle the claim, which it said was its intention from early on in the claim journey, is one the policy allows for.

H's initial quote for the works needed was around £29,000, with an additional £4,000 for a replacement kitchen. In August 2024 Tokio said it would settle the claim at around £33,500. It said whilst it had various reservations about the quote presented, and that it might include some betterment, it was also satisfied that the quote had missed areas of insured damage which it should be covering. As such, it considered, for the likely reinstatement costs of insured repairs, £33,500 was a reasonable amount. Whilst there has been much back and forth between the parties since that time, Tokio hasn't materially altered its offer. As such, I'm going to first consider whether that offer was fair to make in August 2024, and whether subsequent events (up until the point it issued its final response letter in February 2025) means it should have increased its offer.

Was Tokio's offer in August 2024 reasonable?

I consider that it was. The difficulty is, the quote provided by H up to that point had included seemingly unnecessary items, such as an allowance of nearly £300 to protect flooring and dust sheeting. I can't see that this would be necessary given the extensive strip out works needed.

There are also parts of the scope H hadn't shown were needed as a result of the insured event (i.e. the leak). Examples of which include £3,000 quoted for plumbing costs; whilst Tokio accepted some plumbing costs would be required for the bathroom refit, it thought most, if not all, of the existing pipework was being replaced. It said this would be betterment, since that existing pipework wasn't damaged by the escape of water. I consider that is a reasonable position for Tokio to take, there is no evidence the pipework was damaged by the leak. It might be that H, as part of modernising the property to rent, wants to replace the pipework, but Tokio is not liable for that as part of the claim costs. H didn't provide any response to Tokio's questions in respect of the pipework.

£4,000 was also quoted for a kitchen installation (on top of the £4,000 for the kitchen itself). It said even at a generous rate, a kitchen fit (of the type needed to reinstate this property) would be around £1,600.

£5,000 was quoted for flooring, but this included carpets, which are considered to be a 'contents' item, for which there was no cover under the policy, so those costs needed to be removed. And Tokio had concerns that the square footage claimed for the other areas of

flooring needed was too much for the size of the property. Again, H didn't provide a response to Tokio's questions in that respect.

I'm persuaded by Tokio's comments that the concerns and queries raised were reasonable. When making an insurance claim, it is for the insured – so in this case H – to show they have suffered damage covered by the policy. And the policy is to reinstate the property to its previous condition, it does not cover the cost of improvements a policyholder might wish to make. The items which Tokio said needed to be included, but weren't included in the quote, were mostly for smaller items, such as removing and reinstating a picture rail, and for tiling around kitchen worktops. So I can see how, when factoring in costs it thought should be excluded or reduced, and adding those in that were missing, an overall offer of just over £33,500 was reached. So it follows I think that was a reasonable offer for Tokio to make.

In response to that, H provided a follow-up schedule of work from its builder, to include costs it had previously omitted (including those that had been pointed out by Tokio in its August offer). That quote came to £11,000 (excluding VAT). Tokio again shared its views on the proposed costs, H had been quoted £3,000 for a dryness survey, Tokio said a report can be obtained for £1,500. £1,000 was also included for electric works, but there hadn't been an electrical report provided showing the escaping water had caused the damage to the system. Tokio asked whether one had been carried out, no response was given.

The quote had also listed over £2,000 of 'other costs' but hadn't specified what they were. And around £3,000 had been added for 'project management costs'. Tokio said it didn't consider those costs were necessary, since the repairs needed were largely straightforward, and one a builder could manage and facilitate. As such, and with no substantive response to these comments, Tokio wasn't minded to alter its position by the point at which its FRL was issued, and having considered its comments, I don't think that was unreasonable.

Even though Tokio proposed to cash settle the claim, it is still entitled to validate the costs presented before agreeing to them. It also has a duty, as a prudent insurer, to ensure claim costs are justified. By February 2025, despite extensive back and forth, I can't see that H sought to answer the questions posed by Tokio about any of the items it didn't consider necessary. As such, I think it made a reasonable decision not to increase its offer.

Since our Investigator provided her opinion on matters H provided further reports and quotes for various works it said were needed. I'm not going to review those, or Tokio's responses. This Service doesn't review claims, we review complaints. The complaint brought to this Service was (amongst other things) that Tokio's cash settlement offer was unfair. That complaint was answered in February 2025. I've set out above why I consider Tokio's offer, at that point, was fair and reasonable.

H is free to engage further with Tokio on the matter, and this Service might be able to consider a further complaint about anything which has happened since February 2025, once Tokio has had an opportunity to respond.

Professional fees

H has asked that Tokio pays for a RICS surveyor and for it to draw up a scope of works. It also wants Tokio to pay for a loss assessor. It says these are covered under the terms of the policy. The terms of the policy do not say that Tokio will cover the costs of a loss assessor. H is free to appoint a loss assessor to help with the claim if it wants to, but that is at its own cost. I'm not persuaded its fair and reasonable to ask Tokio to pay for one, outside of the policy terms. H says it can't project manage the claim, but I can't see that being because of any fault on the part of Tokio. I'm also mindful that H has told this Service that its business is buying properties to renovate and rent out.

The terms do say Tokio will cover surveyors' fees. However, Tokio has argued a RICS surveyor isn't needed, and that a scope of works already effectively exists. It says H's builder provided a list of repair works needed to the property, and Tokio commented on those,

agreeing to some works, pointing out others that had been missed and needed adding and questioning why others had been included. I'm not satisfied those questions posed – around matters such as whether an electrical survey had taken place showing damage to the electrics caused by the leak – means Tokio should now agree to fund a Surveyor for H. As such I'm not going to require it to pay for one to resolve this complaint.

Loss of rental income

I'm satisfied that under the terms of the policy, H is not entitled to any loss of rent payment. At the time of the claim, the property was empty, and H wasn't receiving any rental income. The terms of the policy say *"in the event of damage to the property...resulting in loss of **rent receivable** the insurer will indemnify the insured in respect of the amount of the loss of **rent receivable**". "Rent receivable" has its own definition, it says *"the money paid or payable by tenants..."* H argues that because the terms says 'payable' this also includes the scenario it finds itself in, where the property, but for the leak, would have been rented out. H says by October 2023 it was nearly ready to market the property and is confident it would've been rented quickly.*

I don't agree with H's interpretation of the term. There is no money payable by tenants, because there weren't any at the time of the claim. And it was the leak that stopped the property being let out, not the actions of Tokio. So it wouldn't be fair or reasonable to ask Tokio to pay lost rental income from the period when the leak happened, when H hadn't been receiving any rental income in the months prior.

This Service can, outside of the policy terms, award compensation for lost rental income where we are satisfied an insurer has unfairly held up a claim. There are two parts to consider then; did the insurer unreasonably delay the claim? And if so, would the property have been available to rent earlier, but for those delays?

Having looked at the timeline of events from April 2024 until February 2025, Tokio did cause some delay up to May 2024. It didn't respond promptly to H's attempt to move the claim along. However, between May and August 2024, I'm satisfied Tokio was trying to move things forward and agree a cash settlement offer. By August it had offered settlement that I've already considered was reasonable. It also offered to make settlement as an interim payment whilst H disputed other losses and costs. So there was a delay of one to two months early on in the claim journey. But I'm not satisfied that the property would've been let out earlier, but for those delays.

As far as I'm aware H accepted the interim payment, but as of February 2025 it doesn't seem to have carried out any reinstatement work, including some stripping out of the property which Tokio had recommended it do in early 2024. In that respect, I don't think H has sought to mitigate its loss. Whilst it didn't agree that £33,500 was enough to complete the reinstatement, it was a substantial proportion of what H was claiming. To not do any works to the property whilst other matters were being disputed means I'm not persuaded it's reasonable to conclude it was Tokio's delay of two months that is the reason the property remained unlet in February 2025. I've also considered H has told this Service that it might not reinstate the property, and it might sell it at auction. As such I'm not satisfied, that it's reasonable for it to pay compensation for any lost rental income as of February 2025.

Compensation and associated losses

I've reviewed H's comments, but I don't have much to add to what our Investigator has already set out so I'm not going to set out much detail in this respect. The policyholder, and eligible complainant to this Service is H, not its directors. H is a limited company, it cannot feel distress, and so this Service cannot award compensation for it. We can make an award for inconvenience suffered by H. It was inconvenient for it to have to chase Tokio for

responses in early 2024. Our Investigator thought £200 was reasonable to recognise the inconvenience caused by that, I agree that is a reasonable award and in line with the guidelines we follow for awarding compensation. I'm not going to require Tokio to pay anything further.

I've considered all of H's other comments, including those about the Consumer Duty, but I'm not persuaded Tokio needs to do anything further, or pay any more compensation, in order to resolve the complaint.

My final decision

My final decision is that I require HCC International Insurance Company Plc trading as Tokio Marine HCC to pay £200 to resolve the complaint.

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

Michelle Henderson
Ombudsman