

The complaint

D complains Royal & Sun Alliance Insurance Limited has unfairly declined their business insurance claim.

RSA's been represented for the claim at points. For simplicity I've generally referred to the representative's actions as being RSA's own. D is a limited company. It's been represented for the complaint. For the same reason, I've referred to the representative's comments and actions as being D's own.

What happened

In October 2023 D's premises experienced a break in, with stock stolen. Thieves reached the premises through a wooded area, then accessed its stock room by breaking a hole in a side wall of its warehouse. The property alarm wasn't activated as its sensors didn't cover the area of wall, nor the area the stock was stored in.

D claimed for the loss of stock and business interruption under its RSA business insurance policy. But after some back and forth RSA declined the claim. It said there had been a material breach of a policy endorsement, requiring an alarm to protect all areas of the premises, as the system didn't cover the stock area. RSA also considered the alarm system to be of an inadequate grade.

D complained about that decision. It said it had fitted, in line with guidance, an alarm that covered every window and door opening, along with internal sensors in corridors. In July 2024 RSA issued a complaint final response. It said given the value of the stock, the storage area should have been protected by the alarm. It added that the Grade 2 alarm should have, considering the circumstances, been at least one category higher.

D wasn't satisfied with that outcome, so referred its complaint to the Financial Ombudsman Service. It said the alarm was fitted by an approved installation company. It explained every door, shutter access point and corridor were fitted with sensors. It said its main warehouse was alarmed, with access and exit only possible, due to internal partitions it had created, from alarmed and controlled areas. D said due to racking and shelving in the warehouse there were weaknesses in the system that the thieves exploited. It said it couldn't have anticipated a break in through the wall. In addition, D added there are no requirements in the policy terms for a specific grade of alarm.

Our Investigator felt D's alarm reasonably complied with the policy requirements - by detecting common forced-entry methods, such as through doors or windows. She said it was reasonable for D to assume any intruder would pass through these monitored areas to reach the stock room, rather than enter through a solid wall. She also said if RSA had required a higher grade of alarm, it should have made that clear in the policy terms. The Investigator concluded RSA's decision to decline the claim had been unfair, recommending it deal with D's claim for stolen stock and business interruption. D accepted that proposed outcome, but as RSA didn't the complaint was passed to me to decide.

I issued a provisional decision. In it I explained why I intended to find RSA's decision to decline the claim to be fair and reasonable. As its reasoning forms part of this final decision, I've copied it in below. I also invited D and RSA to provide any comments or evidence they would like me to consider before issuing this final decision.

what I've provisionally 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 D and RSA 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.

The alarm installation endorsement is set out in D's policy schedule. It states the clause applies to '...Property Damage Insurance and Money Insurance in this Policy'.

As the theft of stock is covered by the Property Damage section of the policy, I'm satisfied the endorsement is relevant to the claim for the stolen stock. The same section of the terms set out that business interruption cover is payable dependent on payment being made, or liability being admitted, for a loss under the Property Damage section. So the decline of the stock theft claim, would allow RSA to avoid liability under the business interruption cover as well.

I've considered if RSA's decision to rely on the alarm endorsement, and so the decline D's claims, is fair and reasonable. Having done so, I currently intend to find it is.

The key section of the endorsement, under consideration here, is:

'The system must provide protection to all parts of the Business Premises ...'

RSA considers there was a failure to comply with this requirement and that had a material effect on the loss. Having considered the evidence and arguments I currently find its position to be fair and reasonable.

As RSA has highlighted the most high-risk area of the premises, in terms of a theft loss, was not covered by any of the alarm systems sensors. The relevant stock area isn't small, making up at least one third of the total floor space. Neither is it an insignificant area, holding D's valuable and high-risk stock.

It seems from D's explanation, and its alarm system map, that the existence of partition walls and shelving within the premises resulted in that significant area falling outside the scope of all the system's sensors. There were no sensors actively covering the interior of the stock room, nor its external wall, so the alarm didn't trigger during the break in.

I note D's argument that it considers all reasonably anticipated routes into and out of the stock area were covered by sensors. I accept windows, doors and corridors were covered. There was, then, some protection to the stock area. But only in the event of entry being attempted via those more conventional routes. The system wasn't, however, providing protection directly to all parts of the premises – and that was, as RSA has pointed out, the most at-risk part.

If the issue were a lack of sensors in a lower risk or less significant area of the premises, I might find it unreasonable for RSA to rely on the endorsement to decline the claim. But in

this case, as RSA's pointed out, it was the highest risk area that wasn't covered by the sensors. RSA's argued it created the endorsement's 'all parts' requirement to ensure protection of such areas. With that in mind, I consider its position, that the requirements of the endorsement weren't met, to be fair and reasonable.

I've considered D's arguments that it couldn't have reasonably anticipated entry through the wooded area and wall. RSA's said such a form of entry isn't unheard of. I can't say how common it is for bricks to be removed for break ins. However, I don't consider the route taken, and method used, to be so unheard of, in need of specialist knowledge and equipment, or so unlikely to occur that RSA's taken an unreasonable position here.

RSA's also made a reasonable argument that the lack of protection of the stock room is material to the loss. In summary it's said an alarm would have created a deterrent and reduced the risk of theft. I'm satisfied a triggered alarm, with the police notified, would likely have acted as a deterrent. So I intend to find RSA's decision to rely on the alarm endorsement breach to decline D's theft and business interruption claims to be fair and reasonable.

I haven't considered RSA's position that the alarm system wasn't of an appropriate grade. Doing so wouldn't make a difference to my intended outcome. That's because, for the reasons given above, I already intend to find RSA's decision to decline the claim to be fair and reasonable.

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.

RSA didn't provide any further comments or evidence when responding to the provisional decision. D provided a detailed response. It didn't accept the intended outcome or reasoning.

As this is an informal service I'm not going to respond here to every point and argument D has raised in response the provisional decision. Instead, I've focused on those I consider to be key or central to the issue. But I would like to reassure D that I have considered everything in its submission.

In summary D said the alarm coverage was both reasonable and in line with expectations for the policy, and that any breach was not material to the scale of the loss.

D provided some background on the reason for the partition of warehouse space. This includes it being divided into sections temporarily to enhance security and for COVID guidance compliance. D also said its stock wasn't located in just one area, but distributed around the premises.

According to D the alarm's sensors covered the top shelves of the area the stock was stolen from. For that reason, it considers it unreasonable to say the relevant area was unprotected, but instead the system met the policy's intent for cover to 'all parts' of the premises.

D also provided some additional points to support the foreseeability of the intrusion difficulty. It explained, for example how a police officer and builders found access to the relevant external area of the premises challenging.

I've considered D's points on this issue. I accept its points that its stock wasn't solely located in the exact section the intruders accessed. However, the design of the premises, even if

produced with good intent, unfortunately resulted in a significant area of the premises falling outside the scope of all the alarm system's sensors. So I still consider RSA's position, that the requirements of the endorsement weren't met as 'all parts' of the premises weren't protected, to be fair and reasonable.

I'm not persuaded by D's recent argument that the intruder's entry method was extraordinary and beyond any foreseeable security threat. I've considered its points, but ultimately the intruders used an area of unoccupied neighbouring woodland as an entry route, then smashed a hole in a brick wall. I don't consider this to have been such an unimaginable, unlikely or unforeseeable event that RSA's taken an unreasonable position by relying on the breach of the endorsement to decline the claim.

D also argued the endorsement breach wasn't material to the loss. It said even if sensors had been installed for the relevant area, the result would likely have been the same. It said the investigating police officer indicated thieves assume an alarm is triggered regardless of sound, so the deterrent effect was already present. D added that even if police had been immediately dispatched, they wouldn't have been able to intervene effectively - due to the distance between the front of the premises and intruder's method an entry via a housing estate. I note D's points, but I'm satisfied a triggered audible alarm, with police and close residents notified, would likely have acted as a deterrent.

D requested the personal experience of its director be considered. That isn't something I can do in a complaint raised by D itself. I have, though, considered D's explanation of the impact, on it as a company, of a declined claim. I accept the consequences may be significant, but I must consider what is fair and reasonable for both parties. This hasn't been an easy decision to reach but having considered the circumstances, I find RSA's decision to rely on the alarm endorsement breach to decline D's theft and business interruption claims to be fair and reasonable.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 15 July 2025.

Daniel Martin
Ombudsman