

## **The complaint**

Mr A complains Royal & Sun Alliance Insurance Limited turned down a claim he made on his landlord rent protection policy.

## **What happened**

In 2023 Mr A issued his tenant with an eviction notice and she stopped paying rent. That followed concerns he'd raised about the condition of the property. He claimed on his policy. RSA reviewed matters and said the reference Mr A obtained for his tenant said she'd failed affordability checks. And the tenancy should only proceed if a guarantor was obtained. Mr A said the tenant was in receipt of benefits which were enough to cover the rent. RSA said as a guarantor hadn't been obtained the policy terms weren't met and turned down the claim.

Our investigator said it was for RSA to decide what risk it wanted to take on. And it had decided where a tenant failed affordability checks a guarantor was required. He didn't think that was unreasonable and that hadn't happened in this case. Mr A might have been prepared to accept the tenant on the basis her benefits would cover the rent. But that didn't mean RSA needed to cover the claim.

Mr A didn't agree. He said the claim had been declined on a restrictive and unfair interpretation of what income meant which didn't take into account the financial stability of his tenant and discriminated against those in receipt of benefits. The policy didn't say only earned income could be considered and benefits were recognised as income by other financial institutions (including mortgage lenders). If the intent of the policy was to exclude benefits from consideration that should have been made clear. And the tenant had been able to make rental payments without issue for the two years since the tenancy began. Amongst other things he said we should direct RSA assess the claim based on the tenant's proven financial stability.

## **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.

The relevant rules and industry guidelines say RSA has a responsibility to handle claims promptly and fairly. It shouldn't reject a claim unreasonably.

In his initial submissions to our service Mr A made reference to a number of claims he thinks his policy should have assisted with. I'm only considering in this decision a claim he made to RSA in September 2023 which related primarily to rent arrears.

If Mr A is unhappy that other claims haven't been addressed (for example relating to property damage) those are issues that would need to be considered separately against the insurer of that section of his property (which for property damage isn't RSA).

His policy with RSA does include cover for costs associated with tenant eviction and rent protection (which can cover rent arrears where a tenant eviction claim is being pursued). But the policy contains a general exclusion applying to those sections which says cover isn't

provided for “any claim where you have not obtained a satisfactory tenant reference in respect of each tenant or guarantor.”

The policy definition of a tenant reference includes that “affordability checks must be carried out on the tenant by the purchaser or a licensed referencing company which confirms that the tenant has the reasonable means to pay the rent; i.e. that their income, or combined income for tenancies with multiple tenants, is sufficient to pay the agreed rent in full”. The policy goes on to explain that “where the tenant has failed to meet the requirements of the credit check a guarantor must be sought who must meet the above requirements”.

It's for an insurer to decide what risk it wants to take on and what to charge for doing so. In this case RSA has agreed to provide cover (in certain circumstances) for tenant rent arrears. But it's decided to limit that exposure by excluding cover where a satisfactory reference hasn't been obtained for the tenant. That's a decision it's entitled to take. And I think RSA did enough to draw that term to Mr A's attention. It's set out in the ‘What are my obligations’ section of the Insurance Product Information Document it was responsible for producing.

In this case Mr A did obtain checks on his prospective tenant from a referencing company. That report identified the risk score for the applicant fell within the ‘High Risk’ banding and she was currently unemployed. It said the applicant “does not have any income from employment or sources that can be taken into consideration for the purposes of this report”. The conclusion was “this person is not suitable to undertake the required tenancy without the support of a suitable guarantor”. It then said “proceed with suitable guarantor only”.

I appreciate there's been discussion over whether the benefits the tenant was in receipt of should be classed as income. I think Mr A is right to say some financial institutions will take benefits into account when considering income. But in this case the referencing report doesn't appear to have taken into account those benefits. It's not clear if that's because it wasn't provided with evidence of them or because it wasn't satisfied those benefits were ones that could be considered as income.

But I don't think that makes a difference to the outcome of this complaint. How the referencing agency has assessed the tenant's income isn't something RSA is responsible for. If Mr A or his tenant had concerns about how the affordability check had been carried out (and what evidence it had considered) that's something which could have been raised with it at the time. What the policy requires is that where a referencing company is used it must confirm the tenant has the reasonable means to pay the rent. In this case the report concluded she didn't. That's why it said a guarantor was required.

Mr A has explained why he nevertheless felt it appropriate to agree the tenancy. He didn't feel he could reject an application solely on the basis that a tenant was on benefits. He's also explained this was a vulnerable tenant who he took a reasonable and compassionate approach to. I understand his position on that. But that relates to the risk Mr A was prepared to take on as a landlord. The fact he was prepared to do so doesn't mean that's a risk RSA should be required to accept without the policy terms as they relate to referencing being met. And as the tenant had failed the affordability check (and Mr A didn't then obtain a suitable guarantor) I think it was reasonable of RSA to conclude a satisfactory reference hadn't been obtained and the general exclusion in the policy applied

I've gone on to consider whether it's fairly applied that exclusion in the circumstances of this case. In doing so I've thought about whether RSA's position has been adversely affected (prejudiced) because a satisfactory reference wasn't obtained. I recognise Mr A's tenant paid her rent without apparent issue for two years. And it may have been the concern Mr A expressed about the condition of the property which led her to stop making payments (rather than a change in her financial circumstances).

However, in order to meet the policy terms as they relate to having a satisfactory reference Mr A would need to have obtained a guarantor. Doing so would have limited the risk of RSA having to cover the claim for rent arrears he subsequently made because that amount could potentially have been recovered from the guarantor. So I think there is prejudice to RSA here and it's fair of it to rely on the exclusion to turn down the rent arrears claim Mr A made.

That might not apply to, for example, an eviction claim against the tenant. But RSA acknowledged in its final response to Mr A's complaint that it might be possible to pursue such a claim. If he's unhappy with what it then did that's something he can raise as part of a fresh complaint. But for the reasons I've explained I don't think RSA did anything wrong in turning down the claim he made on the rent protection section of his policy.

### **My final decision**

I've decided not to uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 8 August 2025.

James Park  
**Ombudsman**