

## **The complaint**

Mrs W complains about how Zurich Insurance Company Ltd responded to her property insurance claim.

Zurich's been represented for the claim at points. For simplicity in places I've referred to the representative's actions as being Zurich's own. For the same reason I've generally referred to Mrs W's representatives' actions as being her own.

## **What happened**

In October 2017 Mrs W claimed against a Zurich block buildings insurance policy. As a leaseholder of a flat she benefited from the policy arranged by the property's freeholder. The flat, usually let to tenants, was uninhabitable due to damage from an escape of water.

After some dispute Zurich accepted there was damage caused by an insured peril - escape of water. There followed a great deal of back and forth between Mrs W's representatives, including a loss assessor (H), and Zurich, including its loss adjuster (C). As a summary, this included discussions about liability, the scope of works required for reinstatement and appropriate settlement costs. In Autumn 2019 Zurich paid £31,953 for loss of rent. That was paid at the amount Zurich considers to be the limit of its liability for that benefit - 20% of the buildings sum insured (BSI).

In Summer 2022 H provided a tender report (the tender report) for the reinstatement works. The lowest projected cost, including fees, was for £235,573. In 2023 Zurich decided to settle the claim at the policy's BSI of £159,765 - what it considers to be the limit of its liability for the loss. After deducting existing claim expenditure, in November 2023 it paid a £154,437 cash settlement to Mrs W.

Mrs W's unhappy with how the claim was handled, progressed and settled. She feels the time taken to settle the claim caused her significant financial loss and distress. In early 2024 this service considered a complaint, from Mrs W, against H that represented her for a significant period of the claim. The resolution, agreed by both parties, was for H, as result of it causing delay to the claim, to reimburse Mrs W 14 months loss of rent and pay £1,500 compensation.

Around the same time Mrs W complained to Zurich. She considers its handling of the claim caused her financial loss and distress. As a resolution she asked it to pay her around £241,000 to cover loss of rent back to 2017, cover County Court Judgments (CCJ) of £54,000, along with other payments to achieve a total of £4,000,000.

In July 2024 Zurich issued a complaint final response. It accepted C was responsible for some delay between February 2020 and July 2020 and February 2022 and July 2022. Zurich didn't agree to pay any of the financial loss claimed by Mrs W, but offered £2,000 compensation for the distress and inconvenience it had caused her.

Unsatisfied with Zurich's response Mrs W came to the Financial Ombudsman Service. She said Zurich's failure to deal with her claim in a timely manner had caused losses - including

loss of rental income from 2017 to 2026 and £54,000 of service charge debts which had resulted in CCJs. The knock-on effect, she says, of these has been further losses because of an inability to make use of the capital in her property portfolio.

Mrs W also raised concern at Zurich's settlement of the claim. She says its unfairly considered the damage under one claim, rather than multiple, to allow it to limit its liability. She's said the settlement isn't enough to allow her to reinstate the property. As a result, it still hasn't been reinstated or let, so her losses continue. She would like Zurich to settle the claim at the estimated costs of repairs, including associated fees and cover continuing loss of rent.

Our Investigator considered Mrs W's various complaint points. He didn't agree it was unreasonable for Zurich to consider the loss under one claim. He did, though, recommend it settle the claim above the BSI. He said as Mrs W hadn't been responsible for the property being underinsured it would be unfair to limit the settlement to the BSI. So he recommended Zurich settle based on an estimate of construction costs in the tender report - at £170,00. He said it should also pay additional amounts for VAT, fees and contingencies.

The Investigator, on the same basis, felt it unfair to limit the loss of rent payment to 20% of the BSI. He recommended it instead, in line with the policy terms, be limited to two years loss of rent - requiring an additional payment of £26,286.

The majority of the avoidable delay in the six-year claim was attributed, by the Investigator, to Mrs W and her agents. But he found Zurich to be responsible for around one year. So he recommended it pay an a further 12 months loss of rent, as consequential loss from the delay. He felt Zurich had already offered enough compensation, at £2,000, to make up for the distress and disruption caused by that delay. The Investigator wasn't persuaded, by the available evidence, that Zurich was responsible for any of Mrs W's CCJs.

Mrs W accepted the proposed outcome. Although she now felt Zurich should be required to pay around £400,000 to cover full settlement of the claim, loss of rent and professional fees.

Zurich didn't initially accept the proposed outcome, so the complaint was passed to me to decide. It said as it had already settled the claim at the policy limits it shouldn't be required to pay anything more. It didn't accept it should cover any consequential losses, resulting from delays. Zurich said, even if Mrs W didn't provide incorrect information relating to the BSI, it isn't reasonable for it to be required to settle above that policy limit sum – instead Mrs W should seek reimbursement from the freeholder who informed it. It made the same point about the loss of rent - stating it had already paid the full entitlement under the policy – 20% of the BSI.

As Zurich didn't accept the proposed outcome the complaint was passed to me to decide. I considered the complaint, decided on my intended outcome and began to draft a provisional decision. Shortly before I was due to issue the provisional decision Zurich got in touch. It indicated that, having reviewed the Investigator's response to its objections, it was prepared to accept his recommendations.

I decided to nonetheless issue my provisional decision with my intended outcome. I explained in the provisional decision that I was doing so for the reasons of fairness and transparency. I said I considered it likely Zurich's recent offer had been influenced by the Investigator's explanation that his recommendation it settle above the BSI reflected this Service's approach to underinsurance. I consider the issue to be more nuanced. So to enable Zurich to make a fully informed decision I issued the provisional decision. I explained that Zurich could, having considered my findings and intended outcome, continue to accept the Investigator's recommended outcome.

As the provisional decision's reasoning forms part of this final decision its copied in below. I also invited Mrs W and Zurich to provide any further comments or evidence they would like me to consider before issuing a final decision. My response to their additional comments is given below the provisional decision's findings.

### ***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 Mrs W and Zurich have provided - that includes the various rules and regulations she's referred to. 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.*

*I'll first provide a summary of my intended outcome. I will then go on to provide my reasoning. I don't intend to find Zurich's decision to consider the claim related damage under one claim to be unreasonable. Unlike the Investigator, I intend to find it was fair for Zurich to settle the buildings claim at the BSI. I don't intend to require it to pay anything additional to the buildings reinstatement costs, outside of the terms of the contract. I intend to require Zurich to pay loss of rent equivalent, in total, to 18 months rental income. I'm not persuaded Zurich can be said to be responsible for Mrs W's debt, her receiving CCJs and any consequential effect of those. Finally, I intend to find its offer of £2,000 compensation to be fair and reasonable.*

### **Considering the damage under one claim**

*There appears to have been a couple of episodes, across 12 months or so, of water escaping from pipework. There was also a later ongoing problem of water ingress. Zurich has accepted liability for damage arising from the first two. But it hasn't for the ongoing water ingress issue. It doesn't accept there was an insured peril.*

*Mrs W would like the damage to be considered under separate claims. That would, she feels, allow the buildings and loss of rent claims to be to be considered against multiple BSI limits.*

*Zurich said the first two leaks arise from one cause - defects in the property's pipework – with the second minor and being in the same area as the first. It adds the drying of the property for the first leak wasn't complete by the time of the second. There's only limited evidence available for this, primarily Zurich and its agents' comments. But based on what I have seen I'm satisfied Zurich's taken a reasonable position by considering the resulting damage as one loss and one claim.*

*I accept repair of the pipework was the responsibility of the freeholder, rather than Mrs W. But I it would be unfair to require Zurich to accept additional liability because pipework, it had no responsibility for, hadn't been effectively repaired or removed after the first escape of water.*

*Zurich hasn't accepted liability for damage relating to the later ongoing water ingress. It's said it considers that to be something not covered by the policy. It's referred to a damp problem, rather than being an insured peril like escape of water.*

*Again, I have very limited evidence available on the cause of this water ingress, or of the damage it may have caused. Mrs W hasn't provided anything persuasive, in the way of*

expert evidence or otherwise, to support her argument that it's a separate loss that should be covered by the policy. With that in mind I can't say Zurich's acted unreasonably on this point.

#### Settling the buildings claim at the BSI

As I intend to find the Zurich fairly considered the loss under one claim, I've considered if it was fair to limit its liability for the buildings claim at the BSI. I intend to find it was.

The policy terms state 'We will not pay more than the Sum Insured for any one incident of loss or damage by insured risks (1) to (14)'.

Escape of water is risk (7). It explains, in the definitions section, that 'Sum Insured' is 'The amount Your Buildings are insured for, as stated in the Policy Specification.'

The policy explains the 'Policy Specification' is 'The record accepted by Us (Zurich), compiled and maintained by (the freeholder) and provides details of .....Sum Insured'. Zurich has said the relevant document recorded the SI at the time of loss as being £159,764.

The Investigator found as the freeholder had informed Zurich of the rebuild value – the figure used to set the BSI. He considered that meant Mrs W hadn't made a misrepresentation, so it would be unfair for her to lose out by limit the settlement to an inadequate BSI.

Zurich said it has no obligation to pay a sum above the BSI and to require it to do so would be unreasonable. Based on the limited information I've seen I'm satisfied it did set the BSI based on the information it was given by the freeholder when the policy was taken out. It explained it assessed the risk and set the premium based on the figure it was given.

Having considered the matter, I'm persuaded by Zurich's arguments that it would be unreasonable to require it to settle the loss above the BSI. The policy terms clearly state it won't pay more than the BSI for any one incident or loss. I accept Mrs W didn't misrepresent the BSI or rebuild value when taking out the policy. But I'm not persuaded Zurich's responsible for it being too low either. It said it can only set the BSI based on the information it's given by the freeholder. I've no reason to doubt what it's said on this.

So I consider it would be unfair on Zurich, considering it took account the proposed BSI when assessing the risk and setting the premium, to remove the contractual certainty it provides. That means I don't intend to find it settled the claim unfairly by limiting its liability, under the policy, to the BSI. As a result, I'm not going to require it to cover, under the terms of the contract, any additional reinstatement costs or any related fees.

I've seen that the policy terms require a monthly indexation of the BSI. I request that in response Zurich confirms it's checked this was applied for the settlement. If it wasn't I invite it to explain if it intends to increase the settlement in line with indexation. If it doesn't, I request it provides its reasons.

As a final point on the BSI. I did explain to Mrs W that I wouldn't be considering, as part of this complaint, Zurich's role in its setting. Having now fully considered the complaint I consider, due to the Investigator's position on the matter, it's necessary to do so. If Mrs W disagrees with my finding on the matter, or any other aspect, she can provide her thoughts.

#### additional damage because of claim delay

*As I'm not requiring to Zurich to settle, under the policy, above the BSI I've considered if it would be fair to for it to pay more, outside of the terms of the policy, because of poor claims handling or its mistakes.*

*Mrs W argues the work required for, and cost of, reinstatement works has increased because of Zurich's poor claims handling. I accept it's possible the extent and cost of reinstatement works has increased during the long life of the claim. But for me to require Zurich to contribute towards any increased costs I'd need to see persuasive evidence of its poor claims handling being responsible.*

*Unfortunately, Mrs W hasn't provided expert evidence to persuade me the extent of damage, required reinstatement works and related costs has increased because of avoidable delays. I've seen different scopes of work, but these don't clearly demonstrate that time or delay has caused significant variation in damage or required works.*

*Even if I accepted such additional costs existed, I'd also need to be persuaded Zurich had most likely, through poor claims handling, contributed to them to a significant extent. I accept Zurich's responsible for some avoidable delay. I return to this issue later. But there's been various other causes of delay to the claim.*

*A great deal of it was unavoidable or not of Zurich's doing. I've given a few, non-exhaustive, examples. Such as Mrs W received significant redress from H as it was considered responsible for around 14 months of delay. She also took many months to respond to Zurich's enquiries about her identity. Her initial representative took months to provide an amended scope of works. Finally, Zurich's said the pandemic had an impact on progress of the claim.*

*So, even if I was persuaded of delay related additional reinstatement costs, due to the various causes of delay, it would be difficult to determine Zurich's contribution. As a result, I don't currently intend to require Zurich to cover any additional reinstatement costs, resulting from avoidable delay etc. I will of course consider any further evidence Mrs W provides.*

#### loss of rent

*In 2019 Zurich paid Mrs W £31,953 to cover loss of rent. It considered that the maximum payable under the policy - being 20% of the SI. Mrs W received a further amount equivalent to 14 months rental income from H.*

*She's asked that Zurich be required to pay significant additional loss of rent - so she is covered for the entire period of 2017 until April 2026. Her arguments for this include reference to the policy terms and Zurich having mishandled the claim.*

*I've first considered if, due to poor claims handling, Zurich should cover additional losses, related to loss of rental income, outside of the terms of the policy. Our Investigator felt it should cover one year of rental income as a consequential loss. That was based on his assessment that Zurich's responsible for around that length of delay to the claim.*

*I accept Zurich was responsible for some avoidable delay to the claim - around 12 months or so. But for me to require Zurich to pay anything I'd need to be persuaded its actions, in this case the delay, were responsible for a loss.*

*So I need to ask - what would likely have happened differently had that delay not occurred? One possibility is this - the property would have been reinstated and receiving rental income sooner than it will be in practice. If I considered that most likely, I'd probably find Zurich*

responsible for a financial loss. This is the basis on which the Investigator recommended 12 months loss of rent be paid. But I'm not currently persuaded the delay made a difference.

It's now around 18 months since the claim settlement was paid. However, reinstatement works are yet to begin. Instead, the property is stripped out and bare. The freeholder is threatening compulsory purchase, due to Mrs W's failure to engage with its concerns about its poor condition.

Mrs W explained why reinstatement hasn't started. The settlement was too low to cover the full costs. She highlighted the estimated costs, in the 2022 tender report, to demonstrate her point. Including construction costs, fees and VAT £235,000 was the projected total cost. As I've said I consider Zurich's BSI settlement to be fair. So I can't find its Zurich's fault Mrs W is in the unfortunate position she finds herself in, unable to reinstate and relet.

As Mrs W doesn't have the funds to reinstate the property it wouldn't have been let out in the medium term anyway - regardless of any delay I find Zurich responsible for. So there's no consequential loss arising from the delay.

I accept it's possible, in the longer term, Mrs W will raise the funds to reinstate the property. However, that would be too distant a possibility for me to consider Zurich responsible for delay.

I realise this will be frustrating for Mrs W, but I can only fairly require Zurich to cover losses it's responsible for. So I don't intend to require it to cover any losses, outside of the terms of the policy, related to loss of rental income. The Investigator also recommended, because of avoidable delay, Zurich cover 12 months of service charges for the property. For the same reasons as above, I don't intend to require it do so.

I've next considered if Zurich's loss of rent settlement was fair and in line with the terms of the policy. The policy states 'If the Buildings become uninhabitable as a result of an insured risk We will reimburse:

a) the amount of rent lost by You...

...for the period necessary for reinstatement so long as the work is done without any undue delay. Our payment in total will not exceed 20% of the Sum Insured or, should this amount prove to be insufficient, for a period not exceeding two years from the date of loss or damage.'

In October 2019 Zurich paid Mrs W £31,953 for loss of rent. It considers that the maximum payable under the terms – being 20% of the SI. The Investigator recommended Zurich pay in line with the term '... for a period not exceeding two years from the date of the loss'. He said that would be an additional £26,286. In response Zurich said its payment represented the full entitlement under the policy. It said the Investigator's recommendation had no regard to policy limits.

I don't agree 20% of the BSI is the maximum payable under the policy. The term clearly explains that should, in specific circumstances, that amount prove to be insufficient loss of rent, for a maximum two-year period, is payable.

Zurich said the two years maximum clause doesn't apply as repairs were unlikely to take more than a few months. The term does state loss of rent will be paid 'for the period necessary for reinstatement'. The tender report estimated the reinstatement works to take 10 or 13 weeks.

*But I don't consider a reasonable interpretation of '...the period necessary for reinstatement' limits it to only the actual construction works. The period necessary for reinstatement must reasonably also include, in this type of claim, the initial investigation of cause of loss, mitigation works, drying times and various other typical steps required to reach the point of construction works.*

*Zurich's payment was the equivalent of around 13 months rental income. At around 13 months into the claim, in November 2018, Zurich had reached the stage of making its initial settlement offer to Mrs W. That offer was declined. But even if Mr W had accepted that cash settlement, or agreed to Zurich's contractor to complete repairs, it seems likely that to achieve actual reinstatement it would have taken, from that point, a further four to five months. That's accounting for a reasonable lead in time.*

*So, unless Zurich can demonstrate Mrs W was responsible for any 'undue delay' in that relevant period, it is reasonable to say 20% of the SI proved to be insufficient - with that limit having been reached at 13 months. In that event the maximum of two years loss of rent benefit is triggered.*

*However, I don't intend to require Zurich to pay the maximum two years benefit. I accept a November 2018 settlement offer from Zurich was significantly below the final payment. But Mrs W could have accepted Zurich's contractor completing reinstatement works. I also have to consider that in practice, the property hasn't been reinstated '...without undue delay', and that nor does it look likely to be in the short or medium term. And I've already said I don't consider Zurich to be responsible for that.*

*With all this in mind, I consider the fair and reasonable outcome will be for Zurich to pay loss of rent, under the policy terms, up to the period the property would have been reinstated had there not been any undue delay.*

*With so much having occurred in this claim it is difficult to pinpoint when that should have been. But with the need to reach some sort of position I intend to find that to be the likely date of reinstatement had Mrs W opted for Zurich's contractor to complete works. For the reasons given above, I consider that to be about 18 months.*

*So I intend to require Zurich to pay Mrs W the shortfall between £31,953 and an amount equivalent to 18 months rental income. The rental income should be based on the rent received for the last tenancy of the property - expiring in 2017. To recognise Mrs W being without the additional funds simple interest at 8% should be applied from the date the initial loss of rent was paid to the date of settlement.*

#### *other losses*

*Mrs W's provided evidence of different debts and CCJs, some settled, some unpaid. She feels Zurich's responsible for these financial issues by the timing and size of its settlement. First, I've found the settlement to be fair. Further, I have only found Zurich to be responsible for a part of the delay in the claim reaching that settlement.*

*In addition, Mrs W hasn't provided a clear explanation of each debt, where and how it arose, what steps she took to meet the payment or mitigate the situation and why Zurich's should settle it. All I have really is evidence of a range of payment demands and debts with a headline argument that Zurich's to blame for them. Based on what I've seen so far, and my intended findings above, I don't intend to find Zurich responsible for her debts. It follows that I don't intend to require Zurich to settle the debts or to be responsible for any consequential impact on Mrs W.*

### avoidable delay and compensation

*I'm not going to run through a detailed timeline of the claim history and events to demonstrate my thoughts on Zurich's responsibility for avoidable delay. There's undoubtedly been significant delay to this claim's resolution. However, the majority has been unavoidable or hasn't been Zurich's fault. I've provided some examples above.*

*However, I do find Zurich to be at fault for some avoidable delay. It accepted it failed to actively progress the claim for around 10 months. Our Investigator considered it responsible for around 12 months delay. I'm satisfied that somewhere around those two figures to be a reasonable estimate. At points, particularly early in the claim, it didn't progress matters as quickly as I might expect, failing to provide requested information promptly or reach a prompt decision on settlement, for example.*

*I accept the situation Mrs W finds herself in has likely caused her significant distress. But I can only require Zurich to compensate her for any unnecessary or avoidable distress or inconvenience it is responsible. I don't find Zurich to be responsible for her main concerns - her financial situation, inability to reinstate the property and risk of compulsory purchase. I can't require it to compensate her for any distress she feels as a result of those.*

*The delay I do find Zurich responsible for will no doubt have compounded an already difficult situation for Mr W. But I'm satisfied the £2,000 Zurich's already offered is enough to make up for the impact of its poor claim handling. So I don't intend to require it to pay any additional compensation.*

### **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 or piece of evidence Mrs W and Zurich have provided in response to the provisional decision. Instead, I've focused on those I consider to be new, key or central to the issue. I haven't provided a response where an assertion has been repeated with no new or significant supporting evidence or argument. But I would like to reassure both that I have considered everything submitted.

Mrs W didn't accept the provisional decisions proposed outcome. She requested I require Zurich to abide by its offer to settle the complaint in line with the Investigator's recommendation.

Mrs W didn't accept my explanation for having issued the provisional decision. She said this Service generally treats acceptance of an Investigator's decision as grounds for resolution. She added that Zurich's acceptance reflects its recognition of liability.

I've considered Mrs W's arguments here. But I'm still satisfied the fairest approach, in this case, was to allow Zurich to make a fully informed decision on its position. As I said I considered its position to have likely been influenced by, what I consider, the Investigator's unnuanced explanation of this Service's approach to underinsurance. Zurich was free, having considered my provisional decision, to continue with its offer.

In response Zurich didn't indicate it intended to maintain its offer to fulfil the Investigator's recommendation. Instead, it said the provisional decision provided a fairer outcome. I'm still satisfied, after considering the responses, that my provisional decision (subject to one further award as set out below), achieves a fair and reasonable outcome. I realise this will be



disappointing for Mrs W, but this means I'm not going to require Zurich to follow the Investigator's recommendations.

Mrs W said Zurich neglected a contractual and industry duty to verify the adequacy of BSI. She said it failed to verify the reinstatement value independently and commission a valuation survey. As I said in my provisional decision Zurich explained the BSI was set based on information it was given by the freeholder. Mrs W hasn't provided any persuasive evidence to support her position that Zurich breached a duty or failed in some other relevant way.

I've considered Mrs W's comments about the ambiguity of wording of the policy schedule and/or policy terms, but I'm satisfied the BSI applies as a limit for a single claim. That means I still find Zurich settled the claim fairly by limiting its liability, under the policy, to the BSI.

Mrs W said there's no evidence indexation was applied to the sum insured of £159,765 BSI year on year. She considers it should have been uplifted by 8% annually up until 2025. I'm not going to require an annual uplift to be applied in that way.

It's usually reasonable for a settlement to be based on the BSI in place at the time of the loss – in this case that was in 2017. In some circumstance I might find it fairer that for an insurer to cover additional expenditure beyond the BSI, outside of the contract of insurance. That might be where unreasonable delay resulted in increased reinstatement costs, for example. I explained, in my provisional decision, why I didn't intend to do that in this case. I haven't been provided with anything to change my position on that.

Zurich explained the relevant BSI was £159,765. Its provided evidence to support that. In my provisional decision I noted a policy term requiring a monthly indexation of the BSI. I asked Zurich to confirm it had checked this was applied for the settlement.

In response it provided information on its contractual provisions for an annual increase to the BSI. I'm satisfied by Zurich's commitment to the annual indexation having been applied. However, it didn't address the monthly indexation term I had referred to. This is:

'11. Inflation increase. When Your premium is based on an agreed individual Sum Insured, Your Sum insured will be increased monthly to reflect costs of property rebuilding and claims inflation.'

As Zurich hadn't confirmed the monthly uplift had been awarded, or explained why it didn't apply, I explained to both parties that I intended to require it to fulfil the term by paying an additional £3,035 - plus simple interest.

I explained why I considered the term applied to Mrs W's claim. The policy terms are specifically tailored for the individual freeholder. So the term would appear to apply to Mrs W's property, rather than being a non-applicable standard term. Her property appears to have an agreed individual sum insured - as Zurich has evidenced.

I noted what Zurich had said previously, regarding consideration of BSI at the limit of liability. I referred to recent underwriting evidence that showed Mrs W's premium is based on the agreed individual sum insured. I said those points persuaded me a monthly indexation should have been applied to the £159,765 BSI set at the start of the policy in April 2017.

So I said I intended to find Zurich had failed to apply a monthly indexation to the BSI when settling the claim at the limit. I made a proposal for putting that right. I considered the claim date of October 2017 to be a fair cut off for an indexation. RICS House Rebuilding Cost Index recorded, for that six-month period, an average annual rate of around 3.8%.

For simplicity I halved that figure to represent six months. Applying a 1.9% indexation of the £159,765 BSI achieved £162,800. So I said I intended to require Zurich to settle in line with a fairly indexed BSI, as per the above policy term, of £162,800. That would require payment of an additional £3,035. Simple interest at 8% should be applied, to make up for Mrs W being without those funds, from the time of the cash settlement to the date of final settlement.

Zurich and Mrs W both responded to the proposal. Zurich said it applies an indexation annually rather than monthly for administrative reasons. I accept that may be its process. However, I'm considering the terms of the insurance policy here. These set out that a monthly increase will be applied to the BSI agreed at the start of the policy. My proposal requires Zurich to settle in line with that term. So I will require it to pay the additional amount as proposed.

Mrs W made an argument for consequential losses resulting from Zurich's failure to apply a monthly increase. I've set out above the shortfall between Zurich's settlement and Mrs W estimated reinstatement costs. I'm not persuaded an additional £3,035, if paid at an earlier date, would have made any significant difference to her ability to afford and arrange reinstatement. So I'm not persuaded Zurich settling at a few thousand pounds below a fairly indexed BSI resulted in a loss of income, rental or otherwise.

Mrs W also made a similar case for consequential loss in response to the provisional decision's proposed award of 18 months loss of rent. She said that confirmed Zurich responsibility for prolonged uninhabitability. She said that means it should cover consequential costs incurred during that period, including service charges and council tax.

I don't accept, that in my provisional decision's reasoning for the 18 months contractual loss of rent payment, I did established Zurich was responsible for delay within that period. I'm not going to repeat my reasoning here. It can be found in the provisional decision. But I didn't find within that period, or beyond it, that Zurich was responsible for the prolonging the period the property has been uninhabitable.

I accepted it was responsible for some delay, but explained why I didn't intend to find any consequential loss to have arisen from it. I haven't been provided with anything to change my position on that. So I'm not going to require Zurich to cover any service charges or council tax.

Mrs W considers Zurich's refusal to cover her surveyor's fees is a breach of the policy terms. I note the terms do state certain professional fees are covered where necessary. However, I'm satisfied professional fees are included within the BSI. As Zurich's fairly settled (accepting it failed to apply a relatively small indexation) at that limit for a single claim, I'm not going to require it to, under the terms of the policy, reimburse any professional fees.

To conclude I don't find Zurich's decision to consider the claim related damage under one claim to be unreasonable. I find it was fair for Zurich to settle the buildings claim at the BSI - although it will need to pay an amount to reflect the policy requirement for a monthly indexation increase. I don't require it to pay anything additional to the buildings reinstatement costs, outside of the terms of the contract. I do require Zurich to pay loss of rent equivalent, in total, to 18 months rental income. I don't require it to cover any service charges, council tax or professional fees. I'm not persuaded Zurich can be said to be responsible for Mrs W's debt, her receiving CCJs and any consequential effect of those. Finally, I intend to find its offer of £2,000 compensation to be fair and reasonable.

## **My final decision**

For the reasons given above, I require Zurich Insurance Company Ltd to pay loss of rent, under the terms of the cover, equivalent to 18 months (including the sum already paid) and additional £3,035 cash settlement for reinstatement. Simple interest is to be added to both payments as set out above\*.

*\*If **Zurich** considers it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs W how much it's taken off. It should also give her a tax deduction certificate if **she** asks for one, so **she** can reclaim the tax from HM Revenue & Customs if appropriate.*

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 28 July 2025.

Daniel Martin  
**Ombudsman**