

The complaint

A limited company, which I will refer to as E, complains about the handling and settlement of its business interruption insurance claim by Aviva Insurance Limited. The claim was made as a result of the COVID-19 pandemic.

What happened

Both parties are aware of the circumstances, so the following is intended only as a summary. Additionally, even though others have been involved, for the sake of simplicity, I've just referred to E and Aviva.

E operates as a physiotherapist business and held a commercial insurance policy underwritten by Aviva. In 2020, E's business was impacted by the COVID-19 pandemic and a claim was made under the policy. This was initially declined, but Aviva ultimately agreed to meet the losses E had suffered due to guidance issued by certain industry bodies relevant to physiotherapists.

A claim settlement was offered in 2023. However, E was not satisfied with this settlement. The dispute largely centred on the percentage of E's business Aviva had attributed to the work E had continued to be unable to undertake after other restrictions had been removed. Aviva had said that E had not provided a breakdown of how its income was generated, so it had made the estimate that this discrete part of E's activities accounted for 5% of its income. E has said that it is unable to provide the relevant information. But that the relevant percentage should be significantly higher, referring to certain work accounting for between 15-25% of its income.

E brought its complaint about this to the Financial Ombudsman Service. The complaint also related to several other aspects of the claim process, including whether interest ought to be added to the settlement and the period this should be calculated for, and the inconvenience caused to E by Aviva's claim handling process. Our Investigator made recommendations on these two points that have been accepted by both parties. So, it is no longer necessary for me to address these.

In terms of the percentage applied to the discrete area of business, our Investigator said that it was reasonable for Aviva to require E evidence its losses relating to this. And that the information E had provided hadn't done this. So, he thought Aviva had acted fairly and reasonably by providing some cover for this – in a situation where it may have provided no settlement at all. E was not satisfied with this. So, its complaint has been passed to me for a decision.

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 have come to the same outcome as our Investigator, largely for the same reasons.

I will firstly just repeat that this decision will focus on what I consider to be the key outstanding issues. These relate to the information that Aviva requested and the settlement that it reached, in relation to the discrete area of business referred to above.

Ultimately, in any insurance claim it is for the claimant to evidence that an insured event has happened and then to evidence their losses as a result of this. The first part of this is not in dispute, so I have not discussed it here.

The question is, has E demonstrated its losses as a result of the insured event?

I do appreciate that, in order to evidence its loss, E is being asked to provide a breakdown of its income based on the different types of work it provides to customers. And I note that this is not something that it would normally do. So, it is inevitable that to meet this requirement, E would suffer inconvenience. However, this seems to be unavoidable inconvenience resulting from the fact a claim was required. Dealing with any claim is inherently inconvenient.

In this case, I don't consider Aviva's request generally to be unreasonable. Only a part of E's overall income would be covered by the events in question. It would not be all of any loss of income that E sustained over the period in question that would be covered by the claim. E may have suffered a loss in relation to the other parts of its business during this period, or it may have increased its income on those parts. So, Aviva needs to know how much of a part of the overall income relates to the business that was interrupted. Without knowing this, it is not clear that E actually suffered a loss of this income.

E has provided some very simple spreadsheets, apparently setting out its income from different customers. This seems to be limited to only certain customers. And does not give any form of breakdown on what services were being provided to receive this income. E has said that, at least one of, these customers was normally provided with services that E was unable to provide due to the restrictions. But this testimony has not been supported. The testimony does not even make it clear whether the only service this customer receives is that which was prevented. So, trying to draw any reliable conclusions from this is difficult. And I do not consider this demonstrates E suffered a loss here that ought to be covered by the policy.

This puts E in the current position that it is unable to demonstrate that it has suffered a loss of income, during the relevant period, that ought to be covered by Aviva. It follows that Aviva could have declined to offer any settlement for this loss.

Aviva has taken a different approach and has offered E a settlement based on this lost income amounting to 5% of E's overall income. E has said that it is unable to provide the breakdown of income. But has estimated the discrete area of business accounts for 15 to 25% of its income. It isn't clear what this estimate is based on, anymore than what Aviva's estimate is based on.

It may be that Aviva's estimate is an underestimate of the loss. But it may also be an overestimate. Given the lack of information, and the fact that this may have allowed Aviva to decline to offer any cover for this element of the claim, I am unable to fairly and reasonably conclude that the percentage it has chosen to base the settlement on is inappropriate. It follows that I am unable to ask Aviva to do anything more in relation to this.

Putting things right

Aviva Insurance Limited has agreed to pay E £150 compensation and to add interest to the claim settlement, at a rate of 8% simple, from June 2020 to July 2022. It should do this to resolve this complaint.

My final decision

My final decision is that I uphold this complaint. Aviva Insurance Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask E to accept or reject my decision before 18 August 2025.

Sam Thomas
Ombudsman