DRN-5721316

The complaint

Mr M complains that Royal & Sun Alliance Insurance Limited (RSA) declined his landlord insurance claim.

What happened

Mr M held landlord insurance cover with RSA which covered his rental property. He made a claim as the property had been used for the cultivation of drugs and was damaged in the process.

Mr M says after 10 months of going back and forth with RSA he was told his claim was declined. He is unhappy with the declinature, the confusing initial rejection letter he received from RSA's agent and the delays in reaching his claim outcome.

RSA turned down the claim. It said Mr M had breached terms of the agreement as listed on page 22 of the policy document.

However, RSA accepted the initial rejection letter was insufficient and awarded £50 compensation. It also accepted it had caused some avoidable delay and awarded a further £50 compensation (£100 in total).

Our investigator recommended the complaint be upheld. He thought it had been unreasonable for RSA to rely on the endorsement to turn down the claim as he didn't feel the endorsement had been highlighted to Mr M as it was on page 22 of the policy document. And in addition, the policy schedule that is supposed to highlight endorsements refers to the wrong page of the policy document.

He therefore felt RSA should reconsider the claim under the remaining terms of the policy and if it led to the claim being paid it should add 8% simple annual interest on any related repair costs from the date Mr M paid the invoice to the date the claim is settled. In addition, our Investigator felt the compensation should be increased by a further £350 (£450 in total) for the avoidable delays and the unclear letter.

I issued my provisional findings on the complaint on 9 July 2025. This is what I said:

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.

I disagree with our Investigator's findings, and I appreciate this will be a disappointment to Mr M, but I hope my decision explains why.

Firstly, I understand that Mr M says the event happened so RSA should pay out. I want to be clear it is not in dispute that the event happened, the claim has been declined because RSA say Mr M breached conditions that are precedent to liability.

The policy explains that RSA will cover for loss or damage to the property for the purpose of cultivating drugs caused by a tenant. However, the policy sets out the below endorsement that applied for this cover to be valid:

*"**12 - Illegal Cultivation of Drugs Extension***

For the purposes of this Extension only the Illegal Activities Exclusion does not apply.

***Damage** to **Property Insured** at the **Premises** from the manufacture, cultivation, harvest or processing by other method of drugs classed as a controlled substance under the Misuse of Drugs Act (1971)*

*In order for the cover provided under this Extension to operate **You** must ensure that **You** or anyone acting on **Your** behalf*

- *A) Complete internal and external inspections of the **Buildings** at least once every 3 months and maintain a log of those inspections for at least 24 months.*
- *B) Obtain, verify and retain written references from a current employer, guarantor or former landlord of any new tenant prior to allowing them to move in.*
- *C) Obtain and retain formal photo identification such as a driving licence or passport of any new tenant prior to allowing them to move in.*
- *D) Obtain and record details of **Your** tenant's bank account and verify those details by receiving at least one payment from that account.*
- *E) Advise **Your** tenant where sub-letting is allowed by the tenancy agreement, that they must follow the measures set out in terms A), B), C) and D) above for all lettings they arrange and make those details available to You when reasonably requested.*

Failure to comply with any of these requirements will result in Us not paying Your Property Damage claim".

The tenant moved in in January 2023, but the policy wasn't taken out until March 2023. RSA have said conditions A and E were complied with. And conditions B and C had only been partly complied with, however, these conditions only relate to new tenants so it said it wouldn't be enforced due to the recent inception of the policy prior to the incident date. However, it says condition D was not complied with as Mr M confirmed that all payments were received in cash by the tenants, and he had not received at least one payment by bank transfer from the tenants' account.

I appreciate that these terms are onerous and significant, but they are there to protect the landlord and the Insurer. The terms are common in landlord insurance policies and are reasonable requirements taken by prudent landlords and I can't say the terms are unfair.

But RSA has a responsibility to highlight the requirements to the policyholder when the terms are so significant. And from what I've seen I'm satisfied RSA did, albeit it should've done this better.

The terms are on page 22 of the policy, but the schedule where I'd expect to see relevant endorsements highlighted says "The Property Damage Insurance - Extension for Illegal Cultivation of Drugs details the conditions you must meet in order for cover to operate. These can be found on Page 10 of the Policy wording". This was obviously the wrong page referenced but it still does draw the policyholder's attention that they must do something for cover to operate. So, I'm satisfied that RSA appropriately highlighted to Mr M that there were steps he needed to take to be covered for damage caused in this way.

There is still an onus on the policyholder to check and read all the documents to ensure they have the cover they require and meet any conditions to get the required cover. And if Mr M had noticed that the terms were not on page 10, I would've expected him to have checked the policy document and if he couldn't find the terms refenced or had questions about meeting those terms then I would've expected him to have contacted the Insurer.

In addition, the conditions are terms of the contract that both parties (policyholder and Insurer) agreed to at the inception of the policy, Breaches of that contract and the consequences are clearly defined in the policy.

So, I think it is fair for RSA to conclude that Mr M failed to comply with the endorsement.

I've next thought about whether Mr M's failure to comply with the endorsement was material to the loss.

Given that the cannabis production started so soon after the tenant moved in. It would suggest that it was the tenants' sole aim to grow cannabis in the property. Mr M was also aware he only had one tenant on the tenancy agreement and there were three other adults living in the property. I appreciate that Mr M said he agreed to cash payments due to his tenant's being paid in cash. But the condition of the policy is there for the very purpose of trying to limit illegal activities. And, had this condition been met, the likelihood of such illegal activity would have been reduced. So, I'm satisfied that not complying with this condition was material to the loss.

With regards to the unclear repudiation letter issued by RSA's agent. I have not seen this, but RSA have already accepted that it was unclear and have offered £50 compensation for this error. I am satisfied that this is reasonable as albeit the letter was unclear I am satisfied on what I've seen that the correct claim decision was made but I have no doubt that this would've caused Mr M distress and inconvenience due to the lack of clarity and I would've directed RSA to pay this amount if it had not already offered to do so.

With regards to the delays, the claim incident date was in April 2023 and the claim was logged in May 2023. RSA's agent's preliminary report was completed in May 2023. I can see that further investigation was required including getting police reports etc to validate the claim. This isn't uncommon in this type of claim. However, it appears that RSA had the information it required to repudiate the claim in November 2023, but it took until January 2024 for the first unclear repudiation letter to be sent to Mr M. And Mr M didn't get a clearer understanding until April 2024 when he received RSA final response.

I recognise RSA have offered £50 for the delay, but I don't agree this is enough. RSA only considered the delay until January. However, I also don't agree with the amount our Investigator awarded as from what I've seen I am persuaded that RSA did make the correct decision to decline the claim. But I think it's fair to say the delay was longer than RSA has acknowledged in its final response letter. As the letter was unclear from RSA 's agent. Mr M had to raise a complaint to get a better understanding of why his claim was declined causing more distress and inconvenience. I therefore intend to direct RSA to pay a further £100 to bring the total compensation for this complaint to £200 to be paid.

My provisional decision

My provisional decision is that I intend to uphold this complaint. And intend to instruct Royal & Sun Alliance Insurance Limited to pay Mr M £200 compensation in total.

Responses to provisional decision.

RSA responded and said it had no further points to add and accepted the decision.

Mr M has said in summary that he disagrees with my decision. He feels he followed all procedure and requirements by safety certification, tests, reports, and inventories. He feels the claim has been rejected on irrelevant clauses. He had obtained proof of tenants paying water bills and council tax and had provided these to RSA so feels this demonstrates the account was not fictitious. He feels it is totally unfair for the claim to be declined based on the payment method used by the tenants and ultimately the tenants were arrested at the premises.

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.

I have fully considered Mr M's comments and evidence, and I appreciate his strength of feeling on this matter. However, Mr M has not shown that he received at least one payment from his tenant's bank account. He has provided some evidence of direct debits etc. being paid but these are screenshots, and they have limited information. I am therefore satisfied from what I've seen that it was fair for RSA to decline the claim.

I've also considered the Insurance Act 2015 in this case because where a policyholder has breached a term of the policy that is a condition precedent to liability as in this case, Mr M hasn't proven that his non-compliance didn't increase the risk of loss.

So, taking everything into account, I'm satisfied that my provisional decision represents an outcome that's fair and reasonable.

Putting things right

I instruct Royal & Sun Alliance Insurance Limited to pay Mr M £200 compensation in total.

My final decision

For the reasons set out above, I uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 28 August 2025.

Angela Casey
Ombudsman