

The complaint

R, a limited company, complains about the way Travelers Insurance Company Limited ("Travelers") handled with a claim on its commercial property insurance policy.

Mr R, a director of R, brings the complaint on R's behalf. R is professionally represented, but for ease of reading, I have just referred to R and Travelers as being involved in the activities of this complaint.

What happened

The details of this complaint are well known to both parties, so the following is a summary of key events only.

R held a commercial property insurance policy underwritten by Travelers. R notified Travelers of a claim in September 2022, following a fire at its insured premises. Travelers accepted the claim but R ultimately raised a complaint about the way the claim was being handled and progressed. R's main complaint points focused on delays and poor communication during the claims process, Travelers' decision to end loss of rent payments in July 2024, the application of the policy's terms to the reinstatement of the property, as well as travellers slow release of settlement funds and financial assistance.

Travellers considered the complaint and issued a final response in June 2024. Travellers explained that the fire had occurred in September 2022, and it had been advised reinstatement could be completed by December 2023. They said a revised project programme was requested in February 2023, but this hadn't been provided and chasers in May in August 2023 also went unanswered. They said they were satisfied their decision to end loss of rent payments in July 2024 was fair and in line with the policy's terms. Travellers concluded by setting out that R had an obligation to mitigate its losses under the policy and said no further information had been received to justify any extension. R remained unhappy with Travelers response to its complaint – so, it brought it to this Service.

An Investigator considered what had happened and recommended that the complaint should be upheld in part. She said she wasn't persuaded that Travelers had acted unfairly in deciding to end the loss of rent payments in July 2024, as they'd already paid for around 22 months of cover at this point. The Investigator also noted that some of the delays in the reinstatement were outside Travelers' control, while others were caused by R's own actions.

But the Investigator did accept that there had been avoidable delays in payments being released, particularly around reimbursement for tenant debris removal. The Investigator recommended that Travelers should pay £250 compensation for any inconvenience caused by the delays as well as consider any additional proven financial losses that arose because of insufficient funds being available.

Travelers accepted the Investigator's recommendations, but R did not. It said Travelers had not yet settled the buildings element of the claim and that negotiations were ongoing about the limit of liability. It said that Travelers was wrong to suggest the reinstatement works could or should have been completed by now, because Travelers had not approved the works or

agreed to the method of reinstatement. R said it disputed the suggestion that the rebuild amounted to an enhancement and said the design represented A simpler and more economical construction. All submitted that the policy wording allowed rebuilding in any manner suitable to be insured, providing this doesn't increase liability.

R also submitted that Travelers' position on the foundation slab was unreasonable. It said that reinstating more than 25% of the slab would require compliance with building regulations which could only be achieved if the entire slab was replaced. And this meant that the works could not progress without Travelers agreeing to the same, and it was therefore unfair to suggest that R was responsible for delays. R also felt it was unfair to expect reinstatement to have taken place while negotiations were still ongoing and no settlement funds had been released.

R asked for an Ombudsman to consider the complaint – so, it's been passed to me to decide.

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 reached the same overall conclusions as the Investigator has previously set out and I uphold this complaint in part.

I want to first set out that I won't be repeating the entirety of the complaint history here in my decision or commenting on every point raised. I have considered everything provided but I am not going to comment on each point individually. Instead, I've focussed on what I consider to be the key points I need to think about in order to reach a fair and reasonable conclusion. This is not intended as a discourtesy but rather reflects the key function of this Service; to resolve disputes quickly, and with minimum formality.

When looking at this complaint, the relevant rules and industry guidance say that Travelers has a responsibility to handle claims promptly and fairly. The main points of this complaint are about how Traveler's handled R's claim overall, as well as when they ended loss of rent payments. So, I've considered the available evidence to decide whether Travelers acted fairly. To start, I've looked at the relevant policy terms, which say:

*"In the event of **Damage** to the **Property** used by the **Insured** for the purposes of the **Business** carried on by the **Insured** at the **Premises** during the Period of Insurance resulting in loss of **Rent Receivable** the **Insurers** will indemnify the Insured in respect of the amount of loss of **Rent Receivable** provided that*

- a) such **Damage** is covered under Section 1 of this Policy and that liability shall be admitted or payment made therefor or*
- b) payment would have been made or liability admitted but for the operation of a proviso in the insurance excluding liability for losses below a specified amount*

It doesn't appear that there is a total period that Travelers is required to pay loss of rent for, so I've thought about whether their decision to end payments was fair and reasonable instead. Travelers paid loss of rent payments until July 2024 and said the building reinstatement could have been completed by December 2023 so overall they considered that their decision to end loss of rent payments when they did was fair. But R said the claim hadn't been finalised yet, so it was unfair for payments to have ceased.

I can appreciate that R feels this decision is unfair. It says the buildings reinstatement hasn't been completed and says this is because Traveler's haven't agreed the scope of works it submitted or released funds in full at this stage. And R also says there were issues which meant reinstatement was delayed; for example, needing updated Building Control approval given more than 25% of the building's slab was going to be replaced. On the other hand, Travelers say they have already paid nearly 22 months' worth of loss of rent payments and suggested the reinstatement could have been completed within 12 to 15 months.

I've thought about this situation very carefully, but I'm not persuaded overall that Travelers have acted unfairly here. It appears that the delays since Travelers sent out chasers in May and August 2023 have been largely due to R's own decision to explore different design and planning approaches when reinstating the building, and not matters that are directly within Traveler's control. While I accept that R was entitled to explore alternative rebuild options, as well as ensuring any potential rebuild complied with modern building regulations, I don't think this in turn automatically means Traveler's decision to end loss of rent payments in July 2024 was unreasonable.

The policy wording allows reinstatement to be carried out in "*any manner suitable to the insured*", provided this does not increase Traveler's liability or result in betterment. But I think R's decision to explore this option contributed to the overall delays in concluding the claim. Travelers' position, essentially, is that the reinstatement works could have been completed within a normal timeframe if there were no ongoing design revisions or negotiations being made. But because R was seeking to reinstate the property in a different way, each time revisions were made, Travelers would have needed to review and reassess their liability under the policy, and I think that inevitably would slow a claim's progress down.

As such, I think the decision to end loss of rent payments at the point they did, when a normal rebuild process could have been completed, was a fair conclusion to reach. So, while I in no way criticise R for its decision; I can't reasonably conclude that Traveler's would be solely responsible for any delays experienced due to those decisions.

I've also considered the claim timeline overall. And I've focused on R's submissions around Travelers' decision to initially explore settling the claim on a diminution in value basis – i.e. looking to settle the claim on the basis of what the property's reduction in value caused by the damage would be, and not the cost to rebuild it. From the correspondence I've considered, this appears to have been raised at the point in which R hadn't confirmed whether it was going to reinstate the property, and R had discussed a potential cash settlement. But once R confirmed it was going to reinstate the property, Traveler's reverted back to handling the claim on a reinstatement basis. I don't think this created any inconsistency or delays in how the claim was handled overall so I don't think Travelers acted unfairly here.

However, I have reviewed the rest of the claim history and while I don't think it would be fair to direct Travelers to extend the indemnity period, I do think there have been instances where Travelers' handling of the claim fell short. For example, I've seen that there were delays in reimbursing certain items, including tenant debris removal costs, and that updates to R were not always provided promptly. Given the scale of the loss and the size of the claim overall, I think it would have been reasonable to expect Traveler's to keep the claim moving much more smoothly. And I think the delays and communication gaps caused by Travelers would have created unnecessary additional inconvenience for R. As such, I'm satisfied that an award of compensation is appropriate here.

What was the impact

I wanted to first set out that while whilst I can sympathise with the challenges R has outlined, I wanted to confirm that I won't be able to make any findings in respect of any issues Mr R says he and his family has experienced personally or make any recommendation that Travelers should make a compensation payment to them personally. I don't doubt this situation has been extremely stressful for them, however, the owner of the insured property is a limited company, and this means it is a separate legal entity and the customer of Travelers.

The Financial Ombudsman Service can only make awards to, and for the benefit of the policyholder and that means I can't award compensation to individual directors or their family members for distress, upset or inconvenience they person experienced - it's simply not a power this Service has. I've therefore considered the wider inconvenience R itself has faced as a result of any delays and communication issues. And any award I make for poor handling or disruption reflects that business level impact, rather than personal distress. I should also highlight that this Service doesn't punish or fine a business. A compensation award is intended to reflect the impact a business's actions had on their customer. I can see the Investigator felt that Travelers should pay compensation of £250 – which Travelers agreed with. So, I need to think about whether that's enough compensation to reflect the impact of their actions on R.

I've weighed up the available evidence and the duration of the process. Overall, I think the sum the Investigator recommended is fair and reflects the impact Travelers' actions had on R. I appreciate this may not be the level of compensation R had hoped for, and it may not ultimately change matters for it, given the concerns over the ongoing building claim. But in relation to the issues I think Travelers are responsible for, I consider the compensation I've proposed to be in line with the level of compensation appropriate to these issues, and I'm satisfied this produces a fair and reasonable outcome in this particular complaint.

I can see the Investigator also recommended that Travelers should consider any additional costs R during the claim period that have been incurred as a direct result of not having sufficient funds in place, upon R evidencing these losses. I find this to be a reasonable position for Travelers to take and would be, in my opinion, an example of treating R fairly while the claim is concluded.

My final decision

For the reasons I have outlined above, my final decision is that I uphold this complaint in part. I direct Travelers Insurance Company Limited to:

- Pay £250 for inconvenience caused to R during this claim.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 17 November 2025.

Stephen Howard
Ombudsman