

The complaint

A limited company that I'll refer to as M complains FAIRMEAD INSURANCE LIMITED ("Fairmead") unfairly settled a claim it made on a commercial buildings insurance policy.

Mr A, one of the directors of M, brings the complaint on its behalf.

What happened

The following provides a list of what I believe to be the key events that led to this complaint, it is only a summary and does not include everything that happened.

- M purchased a property in February 2019; it was previously used as a care home but was empty at the time. M insured the property as being unoccupied.
- There was a fire in the property in May 2019.
- Fairmead initially declined a claim under the insurance policy, a complaint about this was considered by this Service with an Ombudsman issuing a Final Decision in March 2021 directing Fairmead to reconsider the claim and, awarding £100 compensation.
- The claim was incorrectly closed, and this was only realised when M made a further complaint. Fairmead offered M £1,000 compensation. This complaint was also considered by this Service and the amount awarded was found to be fair.
- Fairmead reconsidered the claim but found the property to be underinsured. Based on the policy terms it offered a payment to M which reflected 46% of the value of the repairs. As this is the equivalent percentage amount M had insured the property for against what its true insured value should have been.
- M is unhappy about this and doesn't think the value Fairmead has used is reliable, it says that due to delays it has incurred higher repair costs so the amount it is paid should account for this. M has also said the policy should pay out for lost rental opportunity. Mr A on behalf of M has also raised the cost of travel expenses and inconvenience caused by Fairmead's actions.
- Fairmead declined the claim for loss of rent, saying the property was unoccupied and as part of its investigations the directors of M confirmed they were unclear about what they were going to do with the property post purchase and were considering their options. It said Mr A arranged for repairs to the property and a proportion of this amount has been paid, so current contractor rates are irrelevant.

An Investigator looked at the complaint but explained to M that she didn't think Fairmead had done anything wrong. Mr A disagreed; he reiterated many points that he'd raised before and requested an Ombudsman consider the complaint.

The case has 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 reviewed the evidence available, I'm satisfied the property was not insured for the correct value.

- While the policy terms have an average clause which sets out any claim maybe settled on a proportionate basis in relation to the amounts insured, The Insurance Act 2015, sets out where there is underinsurance and an insurer would have charged a different premium had the true amount been known, any claim maybe settled proportionally based on the difference between those premiums. I haven't seen in the policy that Fairmead has said it has contracted out of the Insurance Act 2015 so, it is this remedy that should apply to this claim.
- In this case, coincidentally the amounts are the same, the insured value and the premium charged amounted to around 46% of what the true values should have been. Fairmead is therefore entitled to only pay 46% of the value of the repair costs in this claim, less any applicable excess. So, I think the offer it has made is fair and reasonable.
- To reach its value Fairmead have relied upon the Building Cost Information Service (BCIS) calculation tool, using rates from 2019. I've seen nothing to suggest this was obviously wrong, it was prepared using the correct dates and it is standard industry practice to use this tool. I'm satisfied it was reasonable for Fairmead to rely upon the value it produced.
- M has referenced the purchase price of the property being lower than the cost to rebuild it, which he says suggests this shows the value used is too high. However as set out above I'm satisfied the correct value has been reached. There are many reasons why a purchased price maybe lowered.
- It is the value the property was to be insured for, which was requested when the policy was set up, which is the relevant amount, and it is this value that influenced how much M was originally charged for the policy.
- If Mr A believes the policy was set up incorrectly, then this is something he would need to raise, on behalf of M, with the party that sold the policy to it.
- M has been paid a proportionate amount of what it cost it to repair the property, so I'm satisfied it has been correctly indemnified. Current contractor rates are therefore irrelevant as M did not pay these amounts.
- The property was unoccupied at the time it was purchased and insured, and I'm satisfied the information gathered during the investigation by Fairmead and the witness statements taken at the time, substantiate there were no confirmed plans for the property. While I accept options such as letting or selling the property were actively being considered, a planning permission application was also made at the same time to convert the property. So, it can't be said with any certainty if, or when, a tenant would have been installed in the property, for how long, on what terms or in what capacity. As such, I'm satisfied that it was fair and reasonable for Fairmead not to pay Loss of Rent under the policy terms.
- I've considered the request for travel expenses to be paid under the policy; however, it was a requirement of the policy to regularly check on the property as it was unoccupied. I'm also mindful M has already received a significant amount of compensation to reflect the inconvenience delays in the claim have had on the business. So, I won't be making any additional award here.
- There was a delay in the claim progressing in the period I'm able to consider under this decision. I agree Fairmead could have chased M for a response to its offer, but I'm also mindful an offer had been made, and it was similarly open for M to make contact with Fairmead about it. Fairmead has offered an amount of £400 compensation for this period, and I'm satisfied this fairly reflects the inconvenience to M.
- As M is a limited company, it is a legal entity and the named policyholder. As such while I don't doubt Mr A has been distressed dealing with the matter, I can only consider the inconvenience Fairmead's handling of the claim has had on the business rather than him personally.

For the reasons set out above, I this Fairmead has made a fair and reasonable offer to settle the claim, and I do not uphold this complaint.

My final decision

My final decision is that I do not uphold M's complaint against FAIRMEAD INSURANCE LIMITED.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 18 February 2026.

Alison Gore
Ombudsman