DRN-5756645

The complaint

A company, which I'll refer to as R, complains that Accelerant Insurance Europe SA/NV UK Branch declined a claim on its business interruption insurance.

Ms K, a director of R, brings the complaint on R's behalf.

What happened

R made a claim on its business interruption insurance after it had to stop trading. The key facts are not in dispute and I will summarise them briefly as follows:

- There was a leak into the electrical cupboard of the neighbour's property, which was below R's premises.
- The landlord didn't identify the source of the leak but turned off the water supply, saying this had to be done for health and safety reasons.
- As there was no running water R couldn't carry on trading, which had a great impact and put R in serious financial difficulty.
- The landlord forfeited the lease and changed the locks. The premises remain empty with the source of the leak still unidentified.

The dispute is about whether the policy should cover R's business interruption loss.

The business interruption section of the policy sets out certain contingencies and says a claim will be covered if one of these applies. Accelerant considered these but said the claim wasn't covered unless R could show evidence of damage to the property.

Our investigator said:

- The 'All Risks' section of cover will only pay for damage to things that R has insured (which includes the premises, contents and stock) and there was no damage to R's property.
- Cover for denial of access only applies where there is damage to property within 1,000 metres. There was some sort of damage which caused a leak, but the damage that was caused by the leak to the neighbouring property didn't affect R's business and wouldn't have prevented access to R's premises.
- It was the landlord's decision to turn off the water that led to the business interruption, and that was not covered by any of the contingencies set out in the policy terms.

Ms K disagreed and provided further comments but the investigator didn't change their view. So, on behalf of R, she has requested an ombudsman's 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.

The relevant industry rules and guidance say insurers must deal with claims promptly and fairly, support a policyholder to make a claim, and not unreasonably reject a claim.

Ms K says R's business was interrupted and it deserves to claim against that insured risk. But a claim will only be covered if it meets the requirements set out in the policy terms. Having considered this carefully, I think it was reasonable for Accelerant to say the claim wasn't covered. I'll explain my reasons for coming to this conclusion.

In the first instance it's for the policyholder (in this case, R) to show they have a valid claim. If they can show there has been an insured event, it would then be for the insurer to show that it's fair rely on an exclusion or breach of condition to decline the claim.

The policy terms set out that there's cover for business interruption as follows:

"The Company agrees that in the event of the Business carried on by the Policyholder at the Premises being interrupted or interfered with as a consequence of any of the Contingencies set out below during the Period of Insurance then the Company will indemnify the Policyholder in accordance with the provisions stated subject to the terms limitations Additional Conditions and Exclusions of this Section and the General Policy Conditions limitations and Exclusions of the Policy."

The contingencies referred to are as follows:

1. *Any Damage as insured by the Property Damage "All Risks" Section of this Policy.*
2. *Explosion of any boiler or economiser on the Premises.*
3. *Any Damage occasioned in the course of theft but excluding loss due to the theft of property.*
4. *Additional Coverages as otherwise extended under this Section.*

There was no explosion or theft, so contingencies 2 and 3 would not apply.

For contingency 1, the 'All Risks' section will only pay for damage to R's insured property (such as its premises, contents and stock). There wasn't damage to R's property so this wouldn't apply either.

That leaves contingency 4. Of the Additional Coverages referred to in number 4, the relevant one would be denial of access. Ms K says this contingency does apply.

This is set out in the policy as follows:

"Damage to property within 1,000 metres of the Premises which shall prevent or hinder the use of or access to the Premises or property of the Policyholder whether the Policyholder's property is damaged or not provided that the Company's liability under this Additional coverage shall not exceed the percentage or limit stated in the Schedule for any one Occurrence or in any Period of Insurance."

Ms K says this contingency applies because there was damage to the neighbour's premises.

I've considered carefully whether Ms K is right to say R was denied access to its premises as a result of that damage, or whether Accelerant was entitled to say R was denied access for some other reason.

The points Ms K has made in support of this include:

- The landlord blamed R for the leak, but the source of the leak has not been identified.
- The landlord said they had no choice but to turn the water off, due to a health and safety risk.
- They have been in dispute with the landlord, who has never identified the source of the leak. And it was the leak that resulted in the landlord taking action which stopped R's water supply and therefore stopped R from being able to trade.

It may be true that, if there had not been a leak, there would have been no dispute with the landlord and it's likely the water supply would have stayed on. But even if there was damage to the neighbouring property, it wasn't the damage that led to R having to stop trading. It was the landlord's decision to turn the water off.

What caused the water supply to be switched off was the decision the landlord made. Turning off the water isn't damage to property – it's something that was done on purpose. This happened some months after the leak started, in the context of a dispute between R and the landlord about responsibility for repairs. And it was ultimately this intervening act by the landlord rather than any damage to property that meant R was left unable to trade.

Accelerant also considered whether there might be cover under the Public Utilities section of the policy but concluded that wouldn't apply. This would also require there to be damage to property in the same way as contingency 1, and there's an exclusion for deliberate acts. In the circumstances it was fair for Accelerant to say there was no cover under this either.

Ms K has explained the circumstances R has found itself in. It wasn't clear where the leak was or who was responsible for it, and there was a lengthy legal dispute with the landlord. I appreciate this has been extremely challenging, but I can't comment on that dispute. I can only consider whether it was reasonable for Accelerant to say the claim wasn't covered. In the circumstances here, I'm satisfied it was.

My final decision

My decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 6 October 2025.

Peter Whiteley
Ombudsman