

The complaint

A limited company, which I will refer to as D, complains about the settlement of its business interruption insurance claim, made as a result of the COVID-19 pandemic, by Covea Insurance plc.

What happened

The following is only intended as a brief summary of the events leading to this point. Additionally, although other parties have been involved in the claim and complaints process, for the sake of simplicity, I have just referred to D and Covea.

D operates as a pub and held a commercial insurance policy underwritten in part by Covea. In March 2020, D's business was interrupted by the government-imposed restrictions introduced in response to the COVID-19 pandemic. D claimed on the policy, but was told in April 2020 that the policy would not respond to the circumstances. However, in December 2024, Covea made an offer to settle D claim. Covea also agreed to add interest to the amount of the settlement, but the majority of this was based on the rate of interest D had to pay on the Bounce Back Loan that it took out in May 2020.

D considers this unfair and thought the interest should be based on the 8% simple interest rate that is often awarded by the Financial Ombudsman Service in relation to complaints. D brought its complaint about this to the Financial Ombudsman, saying that the loan was taken out "way before" the claim was rejected. And that it would have taken out the loan regardless of the claim outcome.

Our Investigator did not recommend that the complaint should be upheld though. He pointed out that D had been informed that the policy would not respond prior to taking the loan. And said that the evidence provided did not persuade him that the reason the loan was taken was not because D had been led to understand the claim would not be met.

D remained unsatisfied, and provided further comments about why the loan would've been taken anyway. But, as our Investigator was not persuaded to change his view, this 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 conclusion as our Investigator. I'll explain why.

Firstly, I'd just like to reiterate that the above is merely a summary of the events and arguments. A number of points have been made by both parties. But I have not commented on each of them within this decision. Instead, I have focused on what I consider to be the key issues. This is not intended as a discourtesy. But rather reflects the informal nature of the Financial Ombudsman.

Secondly, I would like to express my sympathies for the position D found itself in. It was forced to temporarily close and suffered losses through no fault of its own. Its claim was then declined when it ought not to have been. And it took over four years for it to receive an offer of settlement.

However, it does not automatically follow that it is fair and reasonable for this settlement to attract interest at a rate of 8% simple per annum. This rate is the default rate that is usually used by the Financial Ombudsman when addressing circumstances such as this – where a claim settlement has been delayed. But this rate is dependent on the circumstances of the individual complaint.

The circumstances of this complaint are that a loan was taken out soon after D was informed, not only that its claim was declined, but also that the government was offering various financial support. Care does need to be taken in placing too much emphasis on the timeline here. Bounce Back Loans were only available from May 2020. So, D would not have been able to take the loan earlier than this.

But D has not provided any contemporaneous evidence that its decision to take the loan was not based on the fact its claim had been declined – or more precisely that, had the claim not been declined, it would've taken the loan at this point anyway.

I do note D's comments about the impact of the later lockdowns (which were seemingly not covered by D's policy by the time they occurred). But it would not have known about these lockdowns at the point it made its decision to take the loan in May 2020. And it is this decision in May 2020 that I need to consider. I recognise that this was a period of uncertainty. But I am not persuaded that D would've taken a loan in May 2020 unless it had a need at that time for this money. And D has not demonstrated that it would've had that need had the claim been met.

Taking everything into account, I do not consider D has done enough to demonstrate that the decision to take the loan was unconnected to the decline of the claim. So, I think Covea has acted fairly and reasonably by concluding that the loss D suffered as a result of having the claim settlement delayed was the cost of that loan (plus interest at 8% simple on the part of the settlement that exceeded the sum of the loan). It follows that I am unable to direct Covea to do anything more in the circumstances of this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 3 October 2025.

Sam Thomas
Ombudsman