

The complaint

A limited company, which I will refer to as C, complains about the handling of its commercial property insurance claim by Arch Insurance (UK) Limited.

What happened

The following is intended only as a summary of the events. Additionally, for the sake of simplicity, I have just referred to C and Arch even where other parties have been acting on their behalf.

C owns the leasehold of a building that it uses for its business of, what I will refer to as, wholesale distribution. C held a commercial insurance policy underwritten by Arch. In 2021, C notified Arch of damage to the building. Following investigations, this was shown to be caused by subsidence. However, the investigations into the ultimate cause of this have been lengthy, including periods of monitoring, etc. C's business as also seemingly been disrupted by some of these investigation works.

C has raised a number of complaints about this process over the past few years. Arch issued final response letters in 2021, 2022, 2023, and 2024. C remained unsatisfied and referred its complaint to the Financial Ombudsman Service in October 2024. Arch then issued a further final response letter in December 2024. (For the sake of completeness, Arch has also issued at least one final response letter after this, but that concerns issues that do not fall within this complaint.)

Our Investigator considered the issues that C had raised. However, he explained that he was unable to consider the matters that had been dealt with in the final response letters between 2021 and 2023. He said that the rules set out in the Financial Conduct Authority's Handbook meant that C needed to have referred its complaint to the Financial Ombudsman Service within six months of those final response letters. But that C did not refer its complaint until late 2024 – more than six months after these letters.

Our Investigator said that he could consider the issues that had formed part of the complaints that Arch had responded to in August and December 2024. These concerned delays that had occurred during 2024, changes in the agents Arch was using, and the loss in value of C's premises over this period. However, our Investigator thought that, whilst there had been significant inconvenience caused to C by Arch's claim handling, Arch's combined offer of £1,050 to address these issues was fair and reasonable. He was not persuaded that the delays over this period had been shown to have caused C's property to lose value or C to have lost business.

C remained unsatisfied. So, its 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 reached the same conclusion as our Investigator. I've explained why below.

Firstly, I'll just reiterate that the above is merely a summary of the events and arguments. Both parties have provided detailed submissions. And I have considered all of these. But I have not commented on each point made. Instead, I have focused on what I consider to be the key issues.

The Dispute Resolution: Complaints (DISP) part of the Financial Conduct Authority's Handbook sets out the rules relating to the jurisdiction of the Financial Ombudsman. I appreciate C might be unhappy with these rules. But I am required to apply them to its complaint.

DISP 2.8.2 R states:

"The Ombudsman cannot consider a complaint if the complainant refers it to the Financial Ombudsman Service:

(1) more than six months after the date on which the respondent sent the complainant its final response...

unless:

(3) in the view of the Ombudsman, the failure to comply with the time limits in DISP 2.8.2 R or DISP 2.8.7 R was as a result of exceptional circumstances..."

C has made a number of complaints over the years following the notification of damage at its property. And Arch has issued final response letters in respect of these. Where Arch has responded to a complaint with a final response letter more than six months prior to C referring its complaint to the Financial Ombudsman in October 2024, I am unable to consider the subject matter of that complaint. C has been able to continue corresponding with Arch over this period, and so I do not consider there to be any exceptional circumstances that prevented it making this referral. I am also not persuaded that variations in letterheads or reference numbers mean that the final response letters do not qualify as such.

I do appreciate that, from C's perspective, the handling of its claim has been one long process. And as this process has continued, so has its complaint. But it has complained about specific issues at particular points in time, and these have been responded to by the individual final response letters issued by Arch.

It follows that I am unable to consider the issues that formed C's complaints that Arch responded to between 2021 and 2023.

There have been a number of delays throughout the period of 2024. This forms the core part of the complaints C made and that were responded to in the final response letters of August and December 2024 – which are those complaints I am able to consider.

Arch has acknowledged that these delays exist, along with other customer service issues such as changes to the agents Arch has been using on site. Arch has also acknowledged that this has had an impact on C. As well as apologising for this, Arch has offered C a combined £1,050.

C does not consider this to be sufficient. It considers that the delays have caused a decrease in the value of its premises. And that the compensation is not enough, given the

impact on C and its directors.

In terms of the decrease in the value of the premises, Arch has responded to this on the basis that this issue ought to be considered as a business interruption claim. I don't entirely agree with this. The issue is not whether C's business has been interrupted here (for one, its business is not the selling of commercial property). The issue is whether the avoidable delays that have been experienced have had the consequence of reducing the property's value.

C has said that it has been looking to market the insured premises, and has provided evidence to support this. C has said that one of the consequences of Arch delaying the resolution of the claim is that the property value is falling. C has provided some evidence that the property value at the end of 2023 was around £4.2m, but that this had dropped to closer to £2.7m around a year later.

The leasehold on the property expires in around 32 years, and shorter leasehold periods will likely have an influence on a property's value. So, there may be some weight in C's argument. However, the leasehold is already quite short. And the length of the leasehold is also not going to be the only factor in a property's value. Property markets fluctuate over time – I note that in 2022, C's premises were valued at less than the £4.2m it was the year after this, indicating the value had risen over this period. So, it isn't clear how much impact the reduction in the term of the leasehold alone has had over this period.

Additionally, although C may have been trying to market the property, there is no guarantee that it would have been able to successfully sell it. As well as difficulties that might generally be experienced, a property with a history of subsidence is often less attractive – and this history is not the fault of Arch. I note that there has apparently been at least one expression of interest. But I don't think this demonstrates that a sale at an acceptable price would have been achieved.

Ultimately, I am not persuaded that it has been shown that it would be fair or reasonable for me to require Arch to compensate C for any loss in value of its property.

The delays have had an impact on C more generally though. Having no clear and reliable indication of when the subsidence issue will be resolved, along with the disruption on site, will have caused significant inconvenience to C's operations. Some of this is a consequence of the nature of the claim itself. But some of this is due to Arch's handling of the claim during the period that I am able to consider.

Taking all of this into account though, I am satisfied that Arch's offer of £1,050 is fair and reasonable compensation for the inconvenience caused during the period relevant to this complaint.

I do note C has made substantial arguments over whether it is appropriate for compensation to also be payable to its directors for the impact on them personally. However, in order to be an eligible complainant, an individual would need to be acting for purposes outside of their trade, business or profession. C's directors are involved in the claim and complaints process for the purposes of their business. So, they would not be eligible complainants here.

The eligible complainant here is C. And C is a limited company and a legal entity in its own right. A limited company cannot experience frustration or distress. So, whilst I am sorry to hear about the impact the situation has had on C's directors personally, I am unable to take this into account when considering C's complaint about Arch.

My final decision

My final decision is that Arch Insurance (UK) Limited should pay C £1,050 in compensation if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 28 November 2025.

Sam Thomas
Ombudsman