

The complaint

Mr C has complained about his commercial property insurance broker Marsh Ltd, he believes it failed him when his policy renewed, which left him without the proper cover needed when his tenants left his property in a damaged state.

What happened

In 2018 Marsh renewed a policy Mr C held for his let property. Mr C believed the policy gave him the full cover he needed as a landlord to protect him in the event of an issue at the property such as it being accidentally or maliciously damaged by his tenants. The policy renewed each year.

Just before renewal in late 2022 Mr C became aware that his (outgoing) tenants had damaged his property. He put in a claim to the landlord's deposit scheme to withhold the deposit. The scheme determined £40 of the circa £900 deposit could be withheld. It reported to the property's managing agent that much of the damage (circa £3,000 worth) had resulted from wear and tear. Mr C didn't agree and felt it was unfair that he would be left out of pocket for damage caused by his tenants. He made a claim to his property insurer.

Mr C's insurer said it only offered cover for contents, not buildings. In respect of contents, it paid Mr C £1,534.69. Mr C complained to Marsh – he had believed he had full buildings AND contents cover and blamed Marsh for providing him with inappropriate cover over the years. He said he was out of pocket by £2,316.99. Marsh said Mr C had held only contents cover for a number of years – and it had sent policy documents clearly showing this at every renewal. Mr C complained to the Financial Ombudsman Service.

Our Investigator thought Mr C had been responsible for checking the cover met his needs. So she did not uphold the complaint.

Mr C was unhappy. He said he hadn't always received policy documents but, in any event, it wasn't his habit to check them because he understood Marsh was making a recommendation for what cover was needed and which he, an inexperienced policyholder, was happy to follow. He felt it was unfair that Marsh had left him without the appropriate level of cover. And that he, in effect, had paid for something worthless.

The complaint was referred to me for an Ombudsman's decision. I found I was minded to uphold it in part and require Marsh to pay Mr C £300 compensation. But I wasn't minded to make Marsh pay the sum Mr C said he was out of pocket for regarding the buildings claim. So I issued a provisional decision to explain my views to both parties. I said provisionally:

“Mr C's policy, arranged by Marsh, did have worth to him. If that policy had not been in place he wouldn't have received the payment he did for damaged contents. So I can't agree the policy was entirely inappropriate.

But I do think Mr C would clearly have wanted buildings cover. And I'm aware that at a much earlier time, pre-dating Marsh's involvement as Mr C's broker, he did have buildings cover. It

seems the change, when that occurred, happened during a period I can't consider – so the change to contents cover only isn't something I can say Marsh was responsible for.

However, during Marsh's period of responsibility for Mr C's cover, the renewal documents say the cover is recommended by Marsh. But I don't see that Marsh ever sought to specifically consult with Mr C in order to make sure it had established what his demands and needs were. I do see some reference to it wanting to confirm those needs within the renewal documents. But I'm not persuaded that is sufficient. After all the renewal documents are putting forward the cover Marsh is recommending to Mr C, supposedly having considered what his demands and needs were. So it seems to me Marsh would need to determine what they are before making a recommendation.

I'm reasonably satisfied that if Marsh had contacted Mr C and gone through what he required, Marsh would have found out that Mr C needed buildings insurance. That would have caused Marsh to search for and recommend a policy to Mr C which offered both buildings and contents cover – so, in my view, he'd most likely have had cover for both at renewal in 2022, the year of the claim.

However, having the ideally required cover in place does not necessarily mean Mr C would have made a successful claim for the property damage. And it is for this reason that I'm not intending to require Marsh to pay the sum Mr C has said he is out of pocket. For me to require Marsh to pay that sum I'd have to be satisfied that, but for its error (in not arranging full cover), Mr C would have received settlement for this sum. Having considered the details provided about how the property was damaged, I'm not convinced any claim to a buildings insurer would have resulted in a successful claim settlement.

The detail Mr C gave the deposit scheme, which then as I understand it became the basis for his property insurance claim, included things like cleaning and redecorating the property. Given my experience of considering complaints about insurers, where claims like this are disputed, they are not the type of things a buildings insurance would cover under a claim for accidental or malicious damage.

I also note that there were things claimed for like broken toilet flushes. I understand the deposit scheme found these were likely broken due to wear. I think any insurer considering Mr C's claim would have taken that view into account and it seems unlikely to me that settlement under a buildings policy would have been made. Similarly for damage to the bottom of internal doors which the deposit scheme felt had resulted from wear and tear.

So far, I haven't seen any details of items claimed for which I think, given my experience of these types of claims, that a buildings insurer – had a relevant policy been in place – would have settled for. Which means I can't reasonably require Marsh to pay the sum Mr C feels he is out of pocket.

But Marsh did, in my view, fail Mr C, and I bear in mind that this failure has resulted in Mr C having lost out on the opportunity to have his insurance claim fully considered by a let property buildings insurer. I accept that this was frustrating for Mr C and he's been to a lot of trouble to challenge Marsh on the policy cover he had in place. He's also suffered, when the limited cover was pointed out to him, some worry about what might have happened but didn't in the years, unbeknown to him, he didn't have the full cover in place. Taking everything into account I'm minded to require Marsh to pay £300 compensation."

Mr C did not respond to my provisional decision. Marsh did.

Marsh said it disagreed with my findings. It said it had not failed to establish Mr C's demands and needs – the policy in place was simply a contents only policy for tenants and could not

be extended to include buildings cover. As its final response letter notes, Marsh said, Mr C's property likely benefits from block cover. So, Marsh explained, in its view its assessment that contents only cover met Mr C's demands and needs was reasonable and appropriate. It asked that my decision was reviewed on the basis that buildings insurance is not required or appropriate for an individual tenant.

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.

I note Marsh's reply. As I noted provisionally, demands and needs are meant to be established before a policy is recommended – but Marsh's renewal paperwork suggests that didn't happen here. And Marsh has not shown me that, at any time, it actively sought to confirm with Mr C what his demands and needs actually were – or what he saw them to be.

I understand that Marsh thinks it is enough to assess Mr C demands and needs by noting that he had contents only cover and that he was a tenant in a block. I grant Marsh that often a flat in a block will benefit from a block policy put in place by a freeholder or property management company. However, that is not always the case. This is not a one-size fits all scenario. I have seen situations where some tenants, by virtue of a lease, have some liability for the buildings and obtaining insurance for the same. I don't know if that is the case for Mr C – but from what Marsh has said, it isn't clear about that either. Rather it has assumed what the position is and, accordingly decided what insurance cover Mr C may need.

If Mr C did need buildings cover and the tenants' contents cover policy Marsh recommended could not be extended to include buildings (which I accept makes logical sense and, therefore, seems likely), Marsh would have needed to recommend an alternative policy. If Marsh was unable to find a suitable policy, it would have had to tell Mr C it could not offer a policy which met all his required needs. Mr C could then have made an informed choice what to do.

Having reviewed matters in light of Marsh's response, and noting that Mr C has not replied, my view on the complaint has not changed. As such my provisional findings, along with my comments here, are now those of this, my final decision.

My final decision

I uphold this complaint. I require Marsh Ltd to pay Mr C £300 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 7 January 2026.

Fiona Robinson
Ombudsman