

The complaint

Mrs C complains about the way U K Insurance Limited (UKI) trading as Direct Line handled a claim she made on her commercial property insurance policy, for damage.

Mrs C is being represented in bringing this complaint, but for ease I've referred to all comments and actions as being those of Mrs C.

Any reference to UKI also includes its appointed agents, unless set out otherwise.

What happened

Mrs C's tenant had to be evicted from her let property. When Mrs C regained access, she made a claim to UKI in June 2023 for the damage the tenant had caused. Items claimed for included carpets, a back door, blinds, kitchen flooring as well as repairs needed to the roof.

UKI was making enquiries into the claim, but hadn't agreed to settle it when in January 2024, Mrs C told UKI there had been an escape of water in the property. UKI said it would consider a claim for the damage caused by the escape of water.

In April 2024, with little progress still being made on the claim, Mrs C made a complaint. UKI responded to the complaint with a final response letter (FRL) dated 4 June 2024. It accepted the loss adjuster had caused delays in the claim by not asking for all of the information needed to progress matters. It also accepted that the loss adjuster hadn't been proactive in its communication with Mrs C. It said it would pay £500 as an apology. Mrs C didn't refer that complaint to the Financial Ombudsman Service within the six-month period she had to do so.

In February 2025, UKI declined the claim for the escape of water damage. It said given the property was unoccupied at the time of the loss, under the policy terms a claim for an escape of water wouldn't be met. It offered settlement for the other damage, caused by the tenant, under the accidental damage section of the policy, of a total of £5,500 (net of the policy excesses).

Unsatisfied with UKI's offer, Mrs C complained. She said UKI had previously told her the escape of water claim could be covered, she was also unhappy that UKI had applied an excess to each item damaged by the tenant, and that UKI's communication and handling had been poor, leading to extensive delays.

UKI responded to the complaint with a further FRL in April 2025. It accepted there had been further poor service since its previous response. It also accepted it had given incorrect information about the escape of water claim, and it should have told Mrs C in February 2024, when the claim was made, that it wouldn't be met. But it was satisfied it had made reasonable offers for the damage that could be covered under the policy, so it didn't agree to increase the settlement. It offered £350 compensation to apologise for the upset caused by the poor service provided.

Mrs C didn't accept UKI's offer and referred her complaint to the Financial Ombudsman

Service for an independent review.

Our Investigator was satisfied that UKI's settlement offer (and the excesses applied) was reasonable. He said whilst there was a delay of around six months to the claim being progressed, he thought that wasn't down to UKI's handling; he said Mrs C's managing agent had failed to provide UKI with evidence it had requested. He said whilst there was some poor service and communication provided by UKI, he was satisfied £350 compensation was reasonable.

Mrs C didn't accept that outcome, she said individual policy excesses should have been explained at the point the claim was made, not more than a year into the claim. She also said UKI were fully aware of the occupancy of the property and so it's unfair for it not to pay for the escape of water damage.

As the matter wasn't resolved, it came to me to decide. In January 2026 I issued a provisional decision on this complaint. I said I intended to require UKI to cover the escape of water damage and some other items it had declined. Provisionally I said:

"There are a number of issues raised by Mrs C, I'll firstly consider UKI's response to Mrs C's claim for damage caused by the tenant.

Accidental damage claim

UKI has accepted a number of items as being covered and has, as far as I can see, offered to settle those in full (less the excess). Those items were a back door, blinds, kitchen flooring and replacement carpets. However, Mrs C says UKI didn't tell her that multiple excesses would apply and that it's unfair of it to charge so many excesses for one claim.

The damage is being covered as 'accidental damage'. So, in essence, each time the property has been accidentally damaged, a claim could be made, with an excess payable.

However, I note that UKI has applied seven excesses for the damaged carpets. It says it has done so because Mrs C's managing agent didn't provide any inspection reports, and so it doesn't know when the damage occurred. Whilst detail on the file is limited, and UKI hasn't provided me with any photographs of the carpets, it seems to have taken the view that it would apply an excess to each carpeted room, since they were all damaged. In the circumstances of this case, I don't think that is a fair and reasonable outcome, as it substantially reduces the claim payout Mrs C then received. Whilst I accept that the carpets in each room might have been damaged at separate times, UKI's decision to apply an excess for each carpet, in the context of this case where it's difficult to establish when and by what method damage occurred, isn't treating Mrs C fairly.

That being said, I think, given the widespread damage, it is reasonable to apply more than one excess. So to balance the need to be fair to both parties I intend to decide UKI should apply three excesses (totalling £300) to the claim for carpets.

As such, for the total accidental damage UKI has already agreed to cover, I'm satisfied it should pay a total of £5,900 to resolve the complaint (that being made up of the original £5,500 offer, and a refund of four of the excesses paid).

Mrs C has recently said UKI hasn't made any payment to her, it's not clear why that is, and I can't see that UKI made it clear to Mrs C that she could accept the claim settlement, as well as pursue her complaint about it, to this Service. I think it should have made this clear to Mrs C, given UKI's position that it was satisfied she was entitled to a claim settlement; it shouldn't have simply retained those funds that were fairly due under the claim. As such,

I intend to direct UKI to add 8% simple interest onto the total amount I intend to award of £5,900. I'll set out later on in the decision the dates I'm satisfied interest should be applied from.

Other items claimed for not covered by UKI

Mrs C has also told this Service that when the loss adjuster attended, other areas of damage were noted, but not paid for. She says these were for roof repairs and redecoration, a hob, fencing. As well as the cost of hiring a skip.

Roof repairs

I understand that UKI has decline this repair and that Mrs C accepts that the repairs needed to the roof weren't as a result of an insured event. Her argument is that because the previous tenant was refusing access to the property, she couldn't carry out the repair and so stop the damage happening to the walls, which then needed redecoration. I accept this is a difficult position for Mrs C to be in, but I'm satisfied UKI has fairly and reasonably declined the repair to the roof and the wall as a result of the roof leaking.

There's no evidence that the roof was damaged by an event covered under the policy. And so any damage caused to the walls gradually over time, from the roof leaking, is reasonably excluded under the policy. And I'm satisfied UKI is reasonable to refuse to cover roof repairs and redecoration, even if Mrs C was being refused access to the property. There's nothing in her policy which says gradual damage will be considered if it's as a result of the tenant refusing repairs, for example.

Hob, fencing and skip hire

UKI's file notes provided to this Service are limited in detail. I have asked it previously to provide me with the loss adjuster's file, but it hasn't done so. But from my review I cannot see UKI has provided Mrs C with a response as to why the hob, fence and skip costs haven't been covered. However, I'm satisfied it's most likely that Mrs C raised them with the loss adjuster as she's said. The difficulty is, without knowing why UKI has declined those costs, I can't then assess whether its decline of them was fair and reasonable. As such, in response to my provisional findings I'll need UKI's response on why it has declined to reimburse Mrs C the amounts claimed for those three heads of claim. Mrs C says the costs for reinstating the hob and fence were £259 and £410 respectively, with the skip hire costing £400. In order to bring a resolution to this part, unless UKI persuades me it was reasonable to decline these amounts, I will direct it to pay a total sum of £1,069, plus interest.

I understand Mrs C's frustration at the length of time taken for UKI to respond to the claim. I'll review that later on in the decision after I've considered UKI's refusal to accept the escape of water claim.

Escape of water claim

UKI said the damage caused by the escape of water wouldn't be covered because, at the time it happened, the property had been unoccupied for more than 30 days. It said the policy terms set out that Mrs C had to take a number of steps (including ensuring services were switched off at the mains) when the property had been unoccupied for more than 30 days, but since this hadn't happened, it wouldn't cover the damage.

Mrs C's position is that UKI was aware that the property was unoccupied, but it didn't tell her of any conditions on the policy. She also says UKI initially told her the damage would be covered, only to then decline cover around a year later.

UKI's notes made when reviewing Mrs C's complaint say "The property has been unoccupied since June 2023 due to the damage on this claim - we were aware but we have never made u/w [underwriter] aware".

UKI's decline of the claim then, is unfair and unreasonable. It accepts it knew the property was unoccupied, but it says it didn't make the underwriter aware. Had it done so, I think it's reasonable to assume the underwriter would have asked that UKI remind Mrs C of the unoccupancy conditions on the policy. Whilst there is of course some responsibility on Mrs C to understand the terms of her policy, UKI is the expert here. Given it knew the property was vacant, and repairs were needed, which it was reviewing policy cover for, before the property would be re-let, I consider it failed Mrs C in not making sure she was aware of the unoccupancy conditions on the policy. And I think this is why, when the escape of water claim was initially made, that UKI said the damage would be covered. It was only a year later, when matters were not progressing, that UKI seems to have applied its unoccupancy terms, without considering the part it played earlier on in the claim.

I've no reason to believe Mrs C wouldn't have adhered to the conditions on the policy had she been made aware of them, so I think it's unfair and unreasonable for UKI, in accepting it failed Mrs C in this respect, to refuse to cover the damage caused by the escape of water. As such, I intend to direct UKI to settle Mrs C's claim for escape of water damage.

Delays in the claim

It's clear these claims took too long to resolve. However, I note that UKI responded to a complaint about delays in June 2024 with an FRL. Mrs C didn't refer that complaint to this Service within the six months allowed under this Service's rules. As such I can't consider delays caused by UKI until that point, or consider this time period when thinking about how to put matters right.

I can look at delays caused by UKI from June 2024, until it gave its claim response (for both the initial claim and the escape of water damage) in February 2025. UKI says it was waiting for Mrs C's managing agent to send over documents, which the agent had promised, relating to the tenancy and property inspections. It said it had been requesting this since around March 2024 but in November 2024, it realised the managing agent had misled it about the information it had available to provide, and so in November 2024 the loss adjuster referred matters to the underwriter to make a decision on policy coverage. As such it doesn't consider it is responsible for any delay in the claim during this period.

I accept that, from the notes I can see, UKI's loss adjuster was chasing, at intervals, the managing agent. But I'm not satisfied that allowing this claim to drift for such a long time, whilst waiting on these documents was fair or reasonable to Mrs C. I think, with proper proactive management of things, it should have been apparent to UKI by three months, at the latest, that the information it was seeking either wasn't available or was unlikely to be provided. As such, I consider UKI should have been in a position to make a decision on the claim by the end of July 2024. Especially bearing in mind the initial claim was already a year old at that stage.

As a result, I intend to decide that, with UKI taking the view that it would need to consider the evidence it had at the end of July 2024, it should have been in a position to make Mrs C an offer to resolve the claim by mid-September 2024, allowing for some time for the underwriter to review matters. And so, because Mrs C wasn't made an offer until mid-February 2025, I intend to decide it has unreasonably caused five months delay to the resolution of the claim. As such, UKI will need to add 8% interest onto the claim settlement amount from the 15 September 2024 (that being the mid-point of the month), until the date of settlement.

Mrs C said even though she didn't accept UKI's February 2025 offer to resolve matters, she re-let the property in March 2025, having paid for all the works needed herself, in order to limit her losses from not receiving rental income. As such I'm satisfied that, had UKI made an offer to settle the claim in September 2024 – even one Mrs C wouldn't have been satisfied with – that she would have progressed matters to enable the property to be re-let earlier. As such I'm satisfied it's likely that, had she been given UKI's position in mid-September, the property would have been ready to be re-let in mid-October 2024, and even if I allow two weeks for tenants to be found, I intend to decide the property would have most likely been relet by the end of October 2024. So, I intend to decide that a fair and reasonable outcome to this complaint is that UKI pays compensation equivalent to Mrs C's lost rental income, from 1 November 2024, until the date the property was relet in March 2025. It will also need to add 8% interest onto each rental payment, from the date it would have been due, until the date of settlement.

Having reviewed UKI's communication, I can see why Mrs C has been frustrated with the claim, it seems UKI has only communicated with her when she's prompted it too, and only substantially moved things forward when she's made or threatened to make complaints to it. She's also had the inconvenience of having to sort out the works at her own expense in order to relet the property, given UKI's delays. As such I'm satisfied an award for distress and inconvenience is fairly and reasonably due to her. Having regard to this Service's guidelines on distress and inconvenience payments, I intend to make an award of £500. This is a total sum, superseding the offer of £350 previously made by UKI. An award of £500 acknowledges a business' mistake has caused considerable distress, upset or worry that needs a lot of extra effort to sort out. I'm satisfied that applies to the circumstances, including the relevant timeframe I've outlined above."

Responses to my provisional decision

Mrs C was happy to accept my findings. UKI didn't set out whether is accepted the decision or not, but made some further points which I've summarised below:

- It isn't fair to award interest on the claim settlement sum because Mrs C rejected the offer made.
- It was reasonable for it to wait for the documents to arrive from the managing agent because it had been told by the agent they'd been sent.
- The hob was never claimed for as part of the claim.
- It agreed it should have covered the fence, but said payment would be subject to a £100 excess.
- It would have to accept the skip costs if it accepted the claim for the escape of water damage.

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.

Given Mrs C has accepted the provisional decision, I'm not going to revisit the items I said UKI didn't reasonably need to pay for, and my provisional findings on those are now that of this, my final decision.

UKI didn't respond to my provisional findings relating to the excesses applied to the claim for carpets, so having reviewed matters again I see no reason to depart from those provisional findings and so those also form part of this, my final decision. And as the parties haven't made comment on the £500 compensation, I said I was minded to award, I see no need to revisit that point either and I'll require it to be paid, for the reasons given provisionally.

I've answered UKI's other points in the order I've bulleted them above.

Mrs C's rejection of the offer

UKI says it didn't make payment to Mrs C because she rejected its offer. I accept that she did, but I haven't seen anything in UKI's file which suggests it explained to Mrs C that she could accept the amount it had offered and still make a complaint. The FRL says that Mrs C declined the £350 payment of compensation, but it makes no reference to Mrs C declining the claim settlement payment. Nor, as I've said above, does it explain that it can make payment to Mrs C and she can still complain. I think it reasonably should have done so, it's not unreasonable for Mrs C to think she couldn't accept the amount offered whilst she was disputing the amounts involved. As such I think it's fair and reasonable that interest should be applied to the sum from/to the dates I've set out below.

Delays in the claim caused by the managing agent

In relation to delays in the claim I haven't provisionally said UKI is responsible for all of the delays. I accepted the managing agent appears to have misled UKI about what documents it could provide, and I considered it was reasonable for UKI to wait for those documents. But waiting indefinitely/for a prolonged period was not reasonable. And UKI waited eight months for those documents before moving the claim on, which I'm satisfied was unreasonable. I considered waiting three months before making a decision without them would have been fair to Mrs C, and UKI's comments haven't persuaded me otherwise. As such my final decision is that UKI has most likely caused a five-month delay in the resolution of the claim, and without those delays, it should have reasonably been able to offer settlement by 15 September 2024. As such, UKI will need to add 8% interest onto the claim settlement amount from this date, until the date of settlement.

Whilst UKI hasn't offered any comment on the loss of rent I'd provisionally awarded, for completeness I'll add that I'm still satisfied compensation equivalent to lost rental income will need to be paid by UKI. This will be from 1 November 2024 (the date I reasonably considered the property could be re-let, but for delays) until March 2025 when it was re-let. Mrs C can confirm the date to UKI.

The hob

UKI has provided an email which it says shows the hob wasn't claimed for. Having read the email, I don't agree with UKI's position. The email, from Mrs C to UKI complaining about the settlement offer, does mention items UKI had refused which Mrs C is unhappy with (without mentioning the hob). But it also says at the beginning of the email "*[LA] had a full list of claimable items*". I don't consider the absence of the hob being mentioned in this later email shows it was never claimed for. This email sent by UKI, for example, also makes no mention of the fence, which UKI seems to accept was claimed for. As such, to tie matters up, and because UKI has not persuaded me that it acted reasonably in either declining the claim for the hob or in just not considering it, I find it fair and reasonable to require UKI to settle this as I set out provisionally – pay Mrs C £259, plus interest.

The fence

It seems reasonable to me that a separate excess of £100 would apply for this. And so UKI will need to settle Mrs C's costs for the fence for £410 less the excess (so £310 to pay). Given UKI hasn't reasonably explained why this wasn't previously agreed, I will require it to add 8% simple interest onto the amount from 15 September 2024 (in line with my earlier findings) until the date of settlement.

The skip

UKI says it would have to accept this cost if accepting the escape of water claim. However, it hasn't given any response to my provisional findings that the escape of water claim should be covered. Having considered matters again, I still consider it is fair and reasonable for UKI to settle Mrs C's claim for the escape of water damage for reasons previously given. As such, it will also need to meet Mrs C's skip hire costs of £400.

My final decision

My final decision is that I uphold this complaint and I direct U K Insurance Limited to:

- Pay £5,900 in settlement of the accepted items on the initial claim. It will need to add interest* from 15 September 2024 until, until the date of settlement.
- Pay compensation equivalent to Mrs C's lost rental income, from 1 November 2024, until the date the property was re-let in March 2025. It will need to add 8% simple interest onto each rental payment that would have been due, from the date it would have been due, until the date of settlement.
- Pay £259 for the hob. It will need to add interest* onto this amount from 15 September 2024, until the date of settlement.
- Pay £410 for the fence (less the £100 policy excess). It will need to add interest* onto this amount from 15 September 2024, until the date of settlement.
- Pay £400 for Mrs C's skip hire costs. It will need to add interest* onto this amount from 15 September 2024, until the date of settlement.
- Settle Mrs C's claim for damage caused by the escape of water, in line with its policy terms. But it won't be able to settle the claim based on what it would have cost it to carry out the works; it will have to settle at Mrs C's costs.
- Pay £500 compensation (including the £350 previously offered but not paid).

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require UKI to take off tax from this interest. If asked, it must give Mrs C a certificate showing how much tax it's taken off.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 5 March 2026.

Michelle Henderson

Ombudsman