

The complaint

Mr K and Mr K complain about the way Liverpool Victoria Insurance Company Limited handled a claim they made on their landlord insurance policy following an escape of water in their rented property.

One of the Mr K's has been the main correspondent for the claim and complaint, and so for ease I've only addressed the decision to Mr K.

What happened

Mr K made a claim on his LV insurance policy in April 2025, for damage caused by a water leak.

LV accepted the claim, but Mr K wasn't happy with LV's handling of matters. He was unhappy LV had paid one instalment of lost rental income but had refused any further payments from 1 May 2025. He said he was forced to use LV's contractors because he couldn't source his own contractors for the amount LV said it would cash settle for. And he said LV had refused to start works until he upgraded the electrics – at his own expense – even though he had a valid electrical certificate.

LV issued a complaint final response letter in July 2025. It was satisfied with its position on lost rental income and electrical works, but it paid £150 compensation for communication issues.

Unsatisfied with that response, Mr K referred the matter to the Financial Ombudsman Service. As a resolution he wanted lost rental income to be paid for three months, as well as £1,500 for the electrical works to be paid by LV, as well as further compensation.

Our Investigator didn't recommend the complaint be upheld. Mr K didn't accept that outcome and so the matter has come to me to decide.

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.

As this is an informal Service I'm not going to respond to every point made or argument raised. Instead, I've focussed on the key reasons for reaching the decision that I have and as such, my findings, like my background, will be brief. I consider there are some key questions for me to answer to decide this complaint, and so I've set those out, and my findings for each, below.

Should LV reimburse Mr K what he paid for his electrical works?

I'm not satisfied that it should. LV had the electrics tested in order to assess if there was water damage to them linked to the claim. That was reasonable for LV to do. The electrician's report said there were issues with the system which needed work before they could be used, and it didn't meet current safety standards, but there was no damage caused by the escape of water itself. So, as the electrics weren't damaged by the insured event (the

leak) it follows that LV doesn't need to cover the cost of any electrical work needed to make the system safe.

Mr K considers the works were unnecessary, because he had an electrical certificate valid for another year. But that doesn't persuade me that LV was unreasonable in requiring works to the electrics to be carried out before it commenced reinstatement of the property. After all, it's reasonable for it to require electrics to be of the current safety standards, with no safety issues, before instructing its contractors to use those electrics.

Ultimately, I'm more persuaded by LV's electrician's report than Mr K's electrical certificate, dated around four years prior to the claim. That certificate being valid for another year doesn't persuade me the electrician's report in 2025 shouldn't be relied upon, nor that it was unreasonable for LV to require works to the electrics to be done by Mr K.

And I note that Mr K didn't provide his own report, from the electrician he employed to do the necessary works, that disputed any of what LV's electrician had said regarding the works needed. As such, I'm not going to require LV to reimburse the £1,500 Mr K paid for these works.

Should LV pay for more lost rental income?

Overall, I'm not satisfied that it should. It seems to me that LV initially accepted, early on in the claim, to take a pragmatic approach, and pay around six weeks of lost rental income. That was agreed in early April, with the loss of rent paid until the end of April, on the basis that LV thought it likely that the electrics would have been impacted by the leak and so the property likely couldn't be lived in.

However, by around 10 April, around three weeks into the claim, LV established that the electrics hadn't been damaged by the escape of water. And as such, whilst it didn't seek to recoup any lost rental income paid, it said no further payment for lost rental income would be made because it didn't consider the property unfit to live in as a result of the claim.

LV's policy says it will pay for lost rental income where the property is unfit to live in. The policy doesn't define when it would consider a property unfit to live in, but it says it would consider it so when sleeping, washing or cooking facilities were affected. But in this case, it said the kitchen and bathrooms were still in working order, and the bedrooms could be used, as such it wouldn't make any further loss of rent payment.

I consider that to have been a reasonable position for LV to have reached. Whilst there was some drying needed in the kitchen, I'm satisfied that was minor, and that cooking facilities were unaffected, the bathroom was also in use. The damage to the bedrooms, from the initial report and photographs I've seen, doesn't support that those bedrooms were unfit to live in – whilst I can see in one room at least a carpet, which couldn't be salvaged, was removed, I'm not persuaded it was unfit to inhabit.

Mr K has pointed to a damp survey he had carried out, dated 16 May 2025 (around two months into the claim), as evidence that the property was uninhabitable. In that survey is a photo of one of the rooms which had a ceiling removed. There is also mention that the damp has caused some mould to form. But importantly for me, the report doesn't say the property is unsafe (or unfit, as per the policy terms) to be occupied. It says that if the mould worsened it could impact health, but not that the property, at that time, would. So I'm not satisfied, on balance, that report shows the property was unfit to live in from the date of the leak, until the reinstatement works were complete. As such, I'm not satisfied that LV should pay for lost rental income for the entire period of the claim.

And even if I consider that there was a period where the property became unfit to live in, because ceilings had been removed in bedrooms and some mould had started to form, I still wouldn't require LV to pay any further amount for loss of rent. Because it seems to me that the period where ceilings had been removed and some mould had formed (until reinstatement work started) would have been roughly the same period of time (i.e. around

six weeks) that Mr K has already had a loss of rent payment for, which he shouldn't reasonably have had. I say this because I'm not satisfied the property was unfit to live in for the period LV had already paid for. As such, I'm not going to require LV to pay anymore for loss of rent.

Did LV act unfairly with its cash settlement offer?

Overall, I'm not satisfied that it did. Where an insurer offers to carry out the reinstatement works, but a policyholder instead asks for a cash settlement, it will generally only pay what it would have cost it to have the works done. That is because insurers often benefit from preferential rates with contractors to do those works. This Service generally considers that to be fair, since securing those preferential rates means that claims' costs are controlled, which benefits all policyholders. And where an insurer has offered to carry out the works, it shouldn't then miss out on using those rates because its policyholder would prefer to take the cash to arrange their own works.

I understand Mr K was frustrated that LV wouldn't provide a priced schedule, but that is common practice and done because the rates agreed with contractors is commercially sensitive information. But I would expect LV to consider any quotes from Mr K – to ensure its scope matched the repairs needed and that it hadn't unfairly reduced any cash settlement pay out.

Ultimately, I'm not going to make a finding on Mr K's quotes against LV's cash settlement offer, because Mr K agreed for LV to carry out the works. Me assessing the quotes wouldn't make a difference at this stage. Nor am I persuaded that – even if I found an issue with LV's offer – I'd then go on to find that was the cause of any delays in this claim, such that LV would need to award compensation to put matters right. That is because most of the discussion relating to the cash settlement happened during the period of time where the claim was paused whilst Mr K carried out the necessary works to his electrics. So I'm not persuaded that, even if LV had increased its offer to one Mr K was happy with, that the reinstatement of the property would have happened any quicker.

Overall whilst I can see that having damage to a rental property would be inconvenient, I'm persuaded that LV handled the claim reasonably. It paid £150 compensation for not explaining its position in relation to the loss of rent as early as it could have. I'm satisfied that was a reasonable offer to make and I'm not going to require LV to do anything differently.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K and Mr K to accept or reject my decision before 30 April 2026.

Michelle Henderson
Ombudsman