

The complaint

Mr M is unhappy that INTACT INSURANCE UK LIMITED trading as More Than Business rejected a claim under his landlord insurance policy.

What happened

Mr M took out a landlord insurance policy to cover a flat which he let out.

New tenants took possession on 5 January 2023 under an assured shorthold tenancy arranged by Mr M's letting agent.

On 1 December 2023 the flat was badly damaged by a fire. The fire service said the fire had been caused by an electrical fault linked to illegal cannabis cultivation in the flat. Mr M and the owner of the other flat in the building were quoted £52,800 for repairs.

At first Mr M hoped to recover the cost of the repairs from his letting agent. Due to limited progress on that front he made a claim to Intact Insurance in May 2024. Intact Insurance said Mr M then told it he didn't want to pursue the claim as his letting agent had admitted liability for the damage. On 18 June Mr M said he wanted to pursue the claim after all.

Intact Insurance asked for evidence that the conditions in the policy about carrying out quarterly inspections, tenant referencing and identification documentation had been complied with. At that time Mr M didn't have the information because of difficulty in getting evidence from the letting agent who had been responsible for those checks. The police were investigating the letting agent on suspicion of criminal behaviour and had seized their documentation.

On 6 January 2025 Mr M told Intact Insurance that the records were being released and would soon be available. On 7 January Mr M's solicitor confirmed that to Intact Insurance and asked it to allow Mr M more time to provide evidence in support of his claim.

On 10 January 2025 Intact Insurance confirmed it was declining the claim due to Mr M not carrying out internal and external inspections of the property every three months and not maintaining a log of those inspections for at least 24 months. It also declined the claim on the ground that the property hadn't been managed properly.

Shortly after that Mr M obtained the agent's inspection reports. They showed that the agent had inspected the property in February, May and September 2023 at which time there was no sign of illegal activity.

Mr M complained to this service. I issued a provisional decision explaining why I was minded to uphold the complaint. An extract from my provisional findings is set out below:

"In this decision I'll only be considering events which happened up to 10 January 2025 being the date of Intact Insurance's final response letter. If Mr M is unhappy with the way Intact Insurance has handled his claim since then, he'll need to make a new complaint to Intact Insurance about that."

Intact Insurance has referred to a number of conditions in the policy which must be complied with in order to have cover for damage caused by the illegal cultivation of drugs. They are as follows:

“You must ensure that You or anyone acting on Your behalf

- A) Complete internal and external inspections of the Buildings at least once every 3 months and maintain a log of those inspections for at least 24 months.*
- B) Obtain, verify and retain written references from a current employer, guarantor or former landlord of any new tenant prior to allowing them to move in.*
- C) Obtain and retain formal photo identification such as a driving licence or passport of any new tenant prior to allowing them to move in.*
- D) Obtain and record details of Your tenant’s bank account and verify those details by receiving at least one payment from that account.*
- E) Advise Your tenant where sub-letting is allowed by the tenancy agreement, that they must follow the measures set out in terms A), B, C) and D) above for all lettings they arrange and make those details available to You when reasonably requested.*

Where material to the loss, failure to comply with any of these requirements will result in Us not paying Your Property Damage claim.”

These are all common measures taken by prudent landlords, so I don’t think they’re unreasonable.

I’ll look first at whether Mr M complied with condition A) above about quarterly inspections. Mr M has now provided evidence that his agent carried out inspections quarterly. Another quarterly inspection was due in the month of December but not overdue by the time of the fire on 1 December 2023. The final inspection was carried out just over two months before the fire and appeared to reveal no serious issues. In order to treat Mr M fairly I think Intact Insurance should reassess the claim in the light of this evidence.

Intact Insurance also declined the claim on the ground that the property wasn’t being managed properly. But there is no such obligation in the policy. So I don’t think that was fair. Intact Insurance’s other requirements are set out in conditions B) to E) above. If Intact Insurance wishes to allege that Mr M hasn’t complied with any of those conditions, it should say so in order that Mr M should have the opportunity to prove that he did so comply. Intact Insurance will be aware that we think it’s good industry practice as well as being fair and reasonable for insurers not to reject claims on the basis of breach of a policy condition where the circumstances of the loss are unconnected with that breach.

Mr M has had a very difficult time. He appears to have been badly let down by his letting agent who (amongst other things) led him to believe for several months that they would compensate him for his losses. That in turn led to a delay in him making a claim to Intact Insurance. Throughout this time Mr M has struggled to keep up with his mortgage repayments while having no rental income from the flat. My role is to look at Intact Insurance’s role in the period up to 10 January 2025. As it hadn’t received the information it had requested from Mr M about the tenancy, I don’t think it would be fair to make Intact Insurance liable for the consequential losses Mr M has suffered as a result of the delay in his claim such as loss of rent.

Intact Insurance knew the reason why Mr M was having difficulty providing the information about the inspections. The records were temporarily unavailable because they’d been seized as part of a police investigation into potential criminal activity on the part of the letting agent. Mr M kept Intact Insurance aware of his continuing efforts to obtain the release of these

documents.

Intact Insurance was notified on 7 January 2025 that the documentation was being released by the police and would soon be available. Despite that a few days later Intact Insurance issued its final response that it wouldn't change its decision to decline the claim. I don't think it treated Mr M fairly by not allowing him a reasonable extension of time in the circumstances to provide material evidence in support of his claim. It also didn't tell Mr M that if he provided such evidence later, it would be taken into consideration. This caused Mr M unnecessary trouble and upset. I think the sum of £250 is appropriate to compensate Mr M for this."

Intact Insurance had no comments on my provisional decision. In response Mr M's solicitor said as Intact Insurance hadn't allowed Mr M a reasonable extension of time to provide the information it required and closed his claim, Mr M had suffered financial losses since January 2025. These included loss of rental income and legal fees as well as the fact he fell into arrears with his mortgage repayments. They asked me to consider further redress to cover these losses as they thought such losses stemmed from the refusal of Intact Insurance to allow additional time for critical evidence to be submitted.

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'm sorry to hear of the financial hardship Mr M has suffered. But as explained above, I'm only looking at how Intact Insurance handled this claim up to 10 January 2025 being the date of its final response letter. At that point it hadn't received the information it needed to assess the claim. I am requiring Intact Insurance, now it has that information, to reassess the claim. I can't prejudge the outcome of that reassessment as there is still a possibility the claim could be declined. So I don't think at this stage it can fairly be held responsible for Mr M's consequential financial losses.

Also, as Intact Insurance has previously pointed out, it didn't close the claim on 10 January 2025 – it just closed the complaint which is a separate matter.

If Mr M remains unhappy with how Intact Insurance has handled his claim since 10 January 2025, he needs to make a separate complaint about that to Intact Insurance.

As the parties had no other comments on my provisional findings, I see no reason to change them and they now form part of this final decision.

My final decision

I uphold this complaint and require INTACT INSURANCE UK LIMITED trading as More Than Business to:

- reassess the claim in the light of the further evidence Mr M is able to supply it; and
- pay Mr M £250 compensation for trouble and upset.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 10 March 2026.

Elizabeth Grant
Ombudsman

