

The complaint

Mr V complains about HCC International Insurance Company Plc's decision to decline a claim he made after his rental property was used to cultivate drugs.

What happened

The background to this complaint is well known to both parties, so I'll provide only a brief summary here. No discourtesy is intended and the parties can be assured that I've considered all the information and evidence they've provided.

Mr V has been represented in making this complaint. But for ease of reference, I'll refer to any information and arguments as coming from Mr V.

Mr V owns and rents out a property insured under a policy underwritten by HCC. He made a claim in June 2024.

In January 2024, the Police had raided the property and found that it had been used to cultivate cannabis. This caused extensive damage to the property.

HCC declined the claim. They said Mr V had failed to comply with a condition of cover for damage caused by illegal drug cultivation, in that he hadn't regularly (every three months) inspected the property.

They also pointed out that by the time they were informed of the claim (around six months after the cannabis farm was discovered), the repairs had largely been completed.

This left no scope for them to determine whether the damage at the property was wholly due to the drug cultivation activity *per se*, or whether there were aspects of the damage that might be covered under other insured perils.

Mr V complained to HCC. And when they maintained their position, he brought his complaint to us.

Our investigator looked into it and didn't think HCC had done anything wrong. She thought HCC were entitled to decline the claim based on the evidence available, given that Mr V had been unable to demonstrate that he'd inspected the property as required by the policy terms.

Mr V disagreed and asked for final decision from an ombudsman. In short, he believes HCC should settle the claim in full.

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.

There's no dispute here about the meaning of the policy terms. When he bought the policy, Mr V was aware that specific cover was included for damage caused by the illegal cultivation of drugs (by the tenant or their family occupying the property).

There were conditions attached to that cover. And there's no dispute here that Mr V was required to inspect the property every three months.

That particular condition isn't unusual. And it's not inherently unfair or unreasonable – as long as it's made very clear in the policy terms, which it is in this case.

HCC are entitled to set out what cover they wish to provide and on what terms, bearing in mind their risk appetite and the premium they charge.

Mr V's policy is a commercial property policy. He is a commercial customer. As such, he would be expected to have an awareness of how such policies work. He would certainly be expected to know what a policy condition was and what it meant.

The tenancy began in January 2022. Mr V has been unable to provide any evidence that he (or agents acting on his behalf) inspected the property at any point between January 2022 and September 2023.

Mr V has provided a video of the property, seemingly taken by the tenant in (the tenant says) September 2023. This shows the property in an undamaged state, with no sign of cannabis cultivation taking place.

HCC appear to have accepted that evidence to show that an "inspection" took place in September 2023.

It's Mr V's contention that the property was undamaged (and not yet used for drugs cultivation) in September 2023. And so, any further inspection (due in December 2023 when Mr V was on holiday) could and would not have prevented the damage to the property – given that it was discovered by the police in early January 2024.

And, he says, any previous failure to inspect the property - as required by the condition set out in the policy - is in effect irrelevant given that the damage did not occur before September 2023.

Mr V also says that the damage should be covered under other insured perils – primarily malicious damage but also potentially escape of water – which do not have the same condition relating to regular inspections.

I don't agree with Mr V's arguments and I'm not going to uphold his complaint. I'll explain why.

First, I don't agree with Mr V that a failure to inspect the property at all for a period of around 21 Months (January 2022 to September 2023) is irrelevant.

On the contrary, it wouldn't be unreasonable for HCC to think that failure to comply with that condition for such a long period might encourage the tenant to believe that future inspections were less likely and so there was a greater chance that any illegal activity would not be picked up.

That might particularly be the case where the "inspection" in September 2023 appears to be one that was "self-administered" by the tenant, who provided a short video of the property – purportedly taken in September 2023.

HCC were entitled to set that condition of cover for damage caused by illegal cultivation of drugs. It reflects their risk appetite in these circumstances and the ways in which they want the policyholder to mitigate any risk. If Mr V didn't like the conditions – or had no intention of

complying with them – he could have obtained cover on different terms elsewhere.

The simple fact is, Mr V can't provide any evidence that he complied with that particular condition at any point up to September 2023, at the very least. And, as I say, I think that *is* relevant in this case given that it will have had an impact on the tenant's thinking and motivations.

Second, I don't agree with Mr V that HCC should consider whether cover applies for different insured perils (which don't have the same condition attached), given that the damage could be considered malicious damage and/or was caused in part by an escape of water.

In this case, Mr V and HCC have entered into a contract (and again, I emphasise that Mr V is a commercial customer) where in effect HCC have clearly specified and defined a particular cause of damage (illegal cultivation of drugs) and said that they *will* cover such damage, but only if certain conditions are met.

There's no dispute here that the damage to Mr V's property was caused by illegal drug cultivation. And so, that's the very specific and well-defined peril under which this claim should be considered.

In other words, HCC made it very clear to Mr V – before he bought the policy - when and under what terms they would provide cover for damage caused by illegal drug cultivation. Both parties entered into that contract knowing (or at least they should have known) what conditions had to be met if that cover was to be operative.

Our approach is to say that damage caused for the purpose of the illegal cultivation of drugs *is* malicious. And so, where there is no specific insured peril relating to drug cultivation, we will say that any malicious damage cover comes in to play.

In this case though, HCC have been very clear that, for that specific type of malicious damage there *is* cover, but only if certain conditions are met.

And in this case, those conditions clearly weren't met (I don't think Mr V is claiming that he regularly inspected the property in the relevant period but just doesn't have the evidence to prove it).

That failure to meet the condition in question was relevant (for the reasons I've set out above). And the peril under which this claim should be considered is very clear in the policy terms. And so, HCC are entitled to decline the claim.

My final decision

For the reasons set out above, I don't uphold Mr V's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 15 May 2026.

Neil Marshall
Ombudsman