

The complaint

Miss L has complained about Hiscox Underwriting Limited's decision to decline her claim under her Business Insurance policy and its decision to cancel the policy.

Miss L's policy is in the trading name of a business, but as this is not a limited company, this complaint is in her name personally. This is because - in effect - it is her policy.

What happened

Miss L made a claim under her policy for water damage to the inside of the insured property due to a leak. Hiscox sent a loss adjuster to review the damage. They weren't sure what was causing the damage, so Hiscox appointed a leak detection firm to find out what was causing the leak. This firm said the leak was due to wear and tear on the flat felt roof and water had been leaking into the insured property gradually over a long period of time.

Hiscox declined Miss L's claim, relying on the following policy exclusion:

We will not make any payment for:

1. damage caused by wear and tear, rot, fungus, mould, vermin or infestation, or any gradually operating cause.

Hiscox renewed Miss L's policy on 6 September 2024. However it then wrote to her in November 2024 to say it was going to cancel it with effect from 8 December 2024. It then did this.

Miss L complained about the declinature of her claim, the fact she was not provided with a copy of the leak detection report until April 2025 and the fact that Hiscox had cancelled her policy. Hiscox issued a final response to Miss L. In this it said it was satisfied its decisions to decline her claim and cancel her policy were reasonable. It did however accept that it should have sent her a copy of the leak detection report much earlier and it paid her £125 in compensation in recognition of this.

Miss L wasn't happy with Hiscox's final response and asked us to consider her complaint. One of our investigators did this. She said it shouldn't be upheld because Hiscox was entitled to rely on the above-mentioned exclusion to reject Miss L's claim, that it was entitled to cancel her policy and that it had given her sufficient notice of its intention to do so. Plus, she said that what Hiscox had paid in compensation for not providing the leak detection report until April 2025 was fair.

Miss L hasn't accepted the investigator's view and has asked for an ombudsman's decision.

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.

Industry rules set out by the regulator (the Financial Conduct Authority) say insurers must handle claims promptly and fairly. I've taken these rules, and other industry guidance, into account when deciding what I think is fair and reasonable in the circumstances of Miss L's complaint.

Miss L had previously made complaints about the handling of her claim, which Hiscox had dealt with and we considered separately. So, this decision does not cover the handling of the claim prior to Hiscox's final response in November 2024.

Miss L's policy covered *Damage* to the insured property. *Damage* is defined as *Accidental physical loss or accidental physical damage including where caused by storm, flood, escape of water, fire, theft or attempted theft, unless otherwise excluded by your policy*. However the policy has some general exclusions, which include the one I have set out above.

This means in order to be entitled to decline Miss L's claim Hiscox needs to be able to show that the damage to the insured property was either caused by wear and tear or as a result of a gradually operating cause. And I'm satisfied it has done this. This is because the report provided by the leak detection firm makes it clear that water had been leaking into the insured property for a long period of time prior to Miss L making her claim. Therefore, I think this shows that the water damage to the inside of the property had been happening gradually due to this. And, bearing in mind Miss L owned the property and is likely to have been checking on it from time to time, I think she'd have noticed that there was damage occurring, due to it being clear the ceiling was getting damp or wet.

I'm also satisfied that the damage to the flat felt roof was due to wear and tear, as I can see from the photographs in the leak detection firm's report this is most likely to be the cause of the damage. So, I'm satisfied that Hiscox doesn't have to pay for the damage to the roof to be repaired either.

I've noted that Miss L may also have suggested she was unhappy about the loss adjuster telling her to have the property repaired. However, I think this was a perfectly reasonable suggestion by the loss adjuster, bearing in mind Miss L owns the property and is responsible for maintaining it in a good state. And they would have been concerned that further damage could occur while the claim was being considered if something wasn't done.

I've considered Hiscox's decision to cancel Miss H's policy. And while, ideally Hiscox would have decided not to renew the policy on 6 September 2024, I can understand why, in light of what its loss adjuster and leak detection firm discovered, it decided to cancel it. I say this as I have assumed it was because Hiscox was concerned the property was unoccupied and that it was not being properly maintained. And I'm satisfied Hiscox gave Miss L sufficient notice in accordance with the policy terms; and that its decision to cancel the policy was reasonable because of the concerns it had about the insured property.

I'm also satisfied that the compensation Hiscox paid Miss L for the distress and inconvenience she experienced as a result of it not sending a copy of the leak detection report to her until April 2025 is reasonable, as it is in line with what I'd normally award for this level of distress and inconvenience.

My final decision

For the reasons set out above, I've decided not to uphold Miss L's complaint about Hiscox Underwriting Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 9 April 2026.

Robert Short
Ombudsman