

The complaint

Miss W complains HDI Global Specialty SE unfairly declined her claim for malicious damage on her rental property.

What happened

Miss W made a claim to HDI for malicious damage once her tenants had moved out. She said there was significant damage caused by the tenant and the property needed repairs before it could be re-let.

HDI said it wouldn't accept the claim because the police wouldn't issue a crime reference number to Miss W, which it took to mean that the police didn't consider the damage to be criminal damage (which it said would be covered as damage by malicious persons under the policy).

Miss W complained about HDI's decision and contacted the police further and was given a crime reference number. In February 2025 HDI responded to Miss W's complaint with a final response letter (FRL). It said it had reviewed the photographs and a loss adjuster would contact Miss W to arrange a visit to the property to review the claim further. It also accepted its communication with Miss W had been poor and inconsistent. It offered £300 as an apology for the unnecessary distress and inconvenience it had caused to that point.

Following the inspection, HDI maintained its decline of the claim. Miss W complained further and a second FRL was issued in April 2025. It said the evidence indicated the damage was as a result of lack of care shown by the tenants and some of it was accidental damage – which her policy didn't cover. It said it would consider damage to have the character of malice if it was done with the sole intention of causing harm.

Miss W remained unhappy and referred her complaint to the Financial Ombudsman Service for an independent review. Having referred matters here, she said in April 2025, after new tenants had moved in, there had been an escape of water. She said given HDI hadn't accepted her claim, it was HDI's fault that there had been an escape of water.

Our Investigator said he wouldn't look at the escape of water, because Miss W would need to make a complaint to HDI about that first. In relation to the claim for malicious damage, he didn't recommend the complaint be upheld. He was satisfied HDI had reasonably said that the damage wasn't characteristic of malicious damage. He was satisfied the £300 offered for its poor communication was fair and reasonable.

Miss W didn't accept that outcome. She said video evidence showing damage to an electrical unit had been overlooked, as well as evidence of tampering with wiring. She said this damage cannot be described as simple neglect. Miss W said by the time of the loss adjuster's visit, she'd already carried out many of the repairs to enable the property to be re-let, but this hadn't been considered in the loss adjuster's report. She also said the £300 was not sufficient to cover the scale of distress or the failures in HDI's process.

As the matter wasn't resolved, it came to me to decide. In January 2026 I issued a provisional decision on this complaint, setting out that I intended to uphold the complaint and directed HDI to accept some of the damage as being covered by the policy. Provisionally I said:

"I intend to decide HDI should cover the damage which the loss adjuster viewed had likely been caused by the setting up of illegal cultivation of drugs. Miss W's policy covers her for damage by "malicious persons". Whilst "malicious" isn't defined by the policy, this Service thinks it's reasonable to take an ordinary meaning of that word, which is "intending to do harm".

HDI's loss adjuster concluded the tampering of the electrics, damage to laminate flooring and to a ceiling in a bathroom, had likely been done to facilitate the illegal cultivation of drugs. Whilst it seems the tenant didn't succeed, with no drugs or drug making equipment found, given the loss adjuster's comments, I'm satisfied this damage should be covered under the policy. That's because we generally consider a tenant who deliberately damages a landlord's property to start cultivating drugs is intentionally causing that damage and this is causing harm to the landlord's property. So, we think the damage caused by setting up illegal cultivation of drugs at somebody else's property is damage caused by a malicious person.

Miss W says that repairing the electrics cost her £1,400, which is what I intend to require HDI to reimburse. Whilst it's possible that not all of the damage to the electrics was caused by malicious intent, I'm satisfied a reasonable outcome is for HDI to refund Miss W what she paid in full to restore the electrics, given the likely difficulties in stripping out any costs for damage to the electrics or work needed from other causes. HDI will need to add interest from the date Miss W paid for those works, until the date of settlement.

I know Miss W has already carried out repairs to the bathroom ceiling, so I intend to decide HDI should reimburse those costs, on receipt of invoices for this work. It should also add 8% simple interest from the date the invoice was paid, until the date of settlement. I also consider HDI should cover the cost of repairs to a hole in the wall of the utility room. HDI will need to add 8% simple interest on receipt of Miss W's invoice for this work to the utility room all, from the date the invoice was paid, until the date of settlement. There's no mention of this damage in the loss adjuster's report. But Miss W's testimony, that the hole in the utility room wall led into the downstairs bathroom, which then had a hole put in the ceiling, seemingly to route cables upstairs, is persuasive. So, I'm satisfied that damage was also most likely malicious.

It's not clear whether Miss W has already had the flooring repaired or replaced. If she has, HDI will need to settle her costs. If she hasn't, then I'll direct HDI to settle at Miss W's cost for new flooring.

I also intend to decide HDI should cover works needed to Miss W's boiler. Whilst I can't see the loss adjuster made any comments around the tampering of the boiler, Miss W has provided some photographs showing it had most likely been tampered with; one shows some extra wires added to the boiler, the other shows the front removed with some taping at the side. And I note the loss adjuster did say "The laminate flooring has lifted in areas possibly due to raised temperatures for the cultivation of plants." So, I think it's likely, if the temperature was raised such to damage the flooring, that the boiler had been tampered with. So, it follows then, that given it's likely the boiler was damaged by malice (due to it being for the cultivation of drugs) then HDI should reasonably cover the costs needed to fix the boiler as a result. Miss W should provide HDI with an invoice for the works carried out, and HDI will need to add 8% simple interest from the date the invoice was paid, until the date of settlement.

However, just because I'm satisfied the above works should be covered, it doesn't mean HDI is then also responsible for covering all of the other damage to the property. Each area of damage needs to be assessed separately to decide on what most likely caused it.

To decide if HDI's refusal of other items was reasonable I've reviewed Miss W's photographs and videos. Having done so, I'm satisfied that HDI has fairly and reasonably declined the other damage to the property.

I find much of the damage, such as to carpets, a blind, floor tiles, a doorframe, decking and a window doesn't support that the tenant was intending to do harm. It looks to me, for example, that the damaged slats of the blinds are in front of where the handle to open the window is. So, I think it's reasonable to assume the slats had been damaged by a tenant not taking care to lift the blinds before opening the window. Whilst a floor tile was cracked in the corner of the room and a carpet stained in various places I'm persuaded this shows more of a lack of care from the tenant than any intent to do harm.

There was a doorframe removed by the tenants, but I'm not persuaded there was any intent to do harm by removing this. For example, it looks like the frame had been removed with some care, such that the surrounding plaster wasn't substantially damaged. It's possible this was done to facilitate a larger opening – but it doesn't seem it was most likely done to cultivate any drugs, since it seems the tenants made a hole in the wall through which to route pipes. So I can't see why removing the doorframe would also have been needed. And whilst the removal of the frame might not have been allowed under the tenancy agreement, it doesn't make it covered under the policy as malicious.

There was also a hole in the decking outside of the property. But I note that hole was towards the edge and affected only one or two slats. With other slats showing some minor damage from wear and tear at the edges. I'm not persuaded that any damage to the decking was done to cause harm.

The photographs of the window show a crack to it, but no obvious debris or destruction of the window that persuades me this was done to cause harm. I find the window was more likely damaged due to an accident or lack of care, as opposed to an act of malice, given the window itself was still intact.

I haven't listed everything Miss W has raised to HDI, but I hope my assessment of a few key items, and why I don't consider them to be covered by the policy, is helpful to Miss W. I have no doubt it was very distressing for her to see that her home – which was in good condition before rented out to the tenants – hadn't been treated with care. She's also told us that her managing agent responsible for placing the tenant has now been prosecuted and shut down. So, I can see why this has caused such worry and concern for her. But it is my role to consider the damage caused against the policy terms. HDI has said some of the damage would be covered under an accidental damage extension – but Miss W didn't have that. From checking her documents, I can see that is the case. As such, HDI isn't responsible covering much of the damage caused.

I can see that HDI caused confusion to Miss W, particularly with its early communication with her, one example being it said it had contacted the police to discuss her claim, but it hadn't. I accept this would cause unnecessary distress and worry to Miss W. However, I'm satisfied HDI's first FRL, sent around two months into the claim, clarified a lot of that confusion, explained the reason for its mistake and offered compensation. As such, I'm satisfied HDI's response to that, and its offer of £300 compensation, was reasonable. This Service generally makes awards at that level where there have been repeated small errors, requiring a reasonable effort from the policyholder to sort out, which I'm satisfied happened here.

However, I intend to decide HDI caused further distress by unfairly declining the claim to cover damage likely caused for the illegal cultivation of drugs. Miss W said she paid for the necessary repairs to electrics, boiler and ceiling in order to try and relet the property, to minimise her financial losses. But in doing so, she couldn't then afford to carry out all of the other repairs needed, which has caused her worry. I accept this would have been the case. As such, I intend to decide HDI should pay a total of £600 compensation, to account for its earlier mistakes in communication, as well as the unnecessary distress and inconvenience caused by its unfair decline of the claim."

Responses to my provisional findings

HDI said it had provided all the evidence it could and had no further comments to make.

Miss W made some points about the cost of items I'd said should be covered. She also said that the property had been empty for six months, and so her loss of rental income should be considered.

So given response from Miss W, I issued some further findings. I said

"The boiler

In my provisional findings I said that I intended to require HDI to reimburse what Miss W paid for repairs to the boiler. Miss W has now confirmed that she did attempt to repair the boiler, but the repair failed, and as such she was forced to replace the boiler. Having considered matters, I remain persuaded that the damage to the boiler was most likely damage by a malicious person under the policy, given the loss adjuster said the temperature of the property had likely been tampered with to facilitate the illegal cultivation of drugs. I think Miss W acted reasonably in trying to repair the boiler and then replacing it when that wasn't possible. As such, since HDI unfairly declined this part of the claim from the outset, I think the fair and reasonable outcome is for it to reimburse Miss W a total of £2,575. That represents the initial attempted repair, and the cost of replacing the boiler. HDI will still need to apply interest on the amounts that make up this total, from the date each sum was paid, until the date of settlement.

Costs incurred for reinstating damage to walls and ceilings

In my provisional findings I set out that I intended to decide repairs to the bathroom ceiling ought to be covered by the policy, as well as holes made in the utility room walls. Miss W has set out that those works, which included fitting new lighting into the bathroom cost a total of £289 (inclusive of VAT). With her being charged £160+VAT for the ceiling/lighting, and £80+VAT for filling in holes in the utility room and painting them white. As such, I'll direct HDI to pay £289, plus 8% simple interest from the date Miss W paid for the works, which I understand was 23 January 2025, until the date of settlement.

Loss of rent

It isn't for me to decide if HDI should meet a claim for lost rental income under the policy terms. That is because this Service reviews complaints, not claims. As such, I'll direct HDI to consider Miss W's claim for lost rental income, in line with its policy terms, as a resolution to this complaint.

However, I can consider, as part of this complaint, whether HDI's actions unfairly delayed Miss W's ability to receive rental income. Miss W has told this Service that the previous tenants left in October 2024. And that, because HDI unfairly refused the claim, she paid for repairs herself in order to limit her losses from not receiving rental income, with the property being re-let in March 2025.

From what I can see from HDI's file, Miss W reported the claim on or around 9 December 2024. Whilst the tenants had vacated in October, it seems Miss W was liaising with the letting agent and her legal insurer about the claim in those initial weeks. I think on 9 December, HDI should have arranged for a site visit of the property to assess the damage. Had it done so, I consider the claim should have been accepted, with insured works completed, and the property most likely having been relet by two months later, by 9 February 2025. Such a period of time seems reasonable to me for the necessary works to be completed, and allowing for the property to be marketed, including allowing some time over the Christmas period where progress of works might have been reduced.

So I think HDI's unfair refusal of the claim has resulted in Miss W losing out on rental income she'd have otherwise received. As such, I intend to decide HDI should pay compensation equivalent to lost rental income from 9 February 2025, until the property was relet in March 2025 (Miss W will need to confirm to HDI the date in March that the tenancy began). And to the sum it pays, HDI will need to add 8% simple interest from 9 February 2025, until the date of settlement."

HDI didn't provide a response. Miss W's response to my provisional findings, and the interim findings set out above, was in summary:

- HDI had told her the window damage was malicious damage, but that the repairs wouldn't exceed the excess payment on the policy and so that is why it didn't cover it.
- Carpets were damaged, this can be considered as part of drug cultivation activities and so should be covered.
- She incurred other costs, such as removal and replacement of a rusted radiator and removal and disposal of the decking.
- Whilst the property was relet in March 2025, there were still outstanding repairs to be done. As such, a fair and reasonable outcome would be for compensation to reflect at least three months of lost rental income.

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 can't see any record on HDI's file that it told Miss W the damage to the window would be covered as malicious damage under the policy, but the cost wouldn't exceed the excess. But even if I accept HDI did say this, it still wouldn't change the outcome I've reached. HDI ultimately didn't agree to cover the window. And from my assessment, I don't think it's most likely the window was damaged by malicious persons, for the reasons set out in my provisional findings. As such I'm not going to require HDI to reimburse Miss W what she paid to replace the window.

I'm still not persuaded that HDI should meet other costs claimed for, such as to damaged carpets, decking and a rusted radiator. Criminal activity happening at the property does not then mean *all* damage claimed for is covered by the malicious persons cover. As set out in

my provisional findings, all areas of damage need to be assessed individually, and I've seen nothing which persuades me to change my provisional findings on these other costs.

Regarding the lost rental income, I'm not persuaded that requiring HDI to pay at least three months of Miss W's lost rental income, as a consequence of its delays in the claim, is fair and reasonable. It might be that when HDI assesses the loss of rent under the policy terms, it agrees to cover the entire six months that the property was empty. Although any dispute about HDI's decision on this would need to be considered separately by this Service as a new complaint.

What I was looking at, was whether it would have been likely, had HDI accepted the claim when it should have done, that the property would have been relet earlier than Miss W managed to do so. Had I found that it most likely wouldn't have been re-let by March 2025 if the claim had been accepted earlier, then I wouldn't have awarded any lost rental income to Miss W as a result of HDI's delay. But for the reasons set out in my provisional decision, I'm satisfied repairs would have most likely been completed, with a new tenant able to move in, by 9 February 2025. I accept Miss W's point that tenants moved in when repairs weren't complete, in order to limit her losses. But this doesn't change that, from March 2025, she was receiving rental income. As such I'm still persuaded the position I reached on compensation for loss of rental income (where that loss was caused by HDI's delay) is a fair and reasonable one.

As such, I haven't changed my mind on the findings I set out previously – provisionally and in my subsequent findings. So, for the reasons set out in those, as well as what I've said above, my final decision is that HDI should meet this claim in part, and it should pay some compensation to Miss W – including for lost rent, as well as consider her loss of rent claim under the policy terms.

My final decision

My final decision is that I uphold this complaint and I direct HDI Global Specialty SE to:

- Pay £1,400 for repairs needed to the electrics, plus interest* from the date the works were paid for, until the date of settlement.
- Pay £2,575 for works carried out to the boiler, plus interest* from on the amounts that make up this total, from the date each sum was paid, until the date of settlement.
- Pay £289 for the repairs to the bathroom ceiling and utility room walls, plus interest* from the date Miss W paid for the works, 23 January 2025, until the date of settlement.
- Settle Miss W's costs for replacement wood flooring, upon receipt of a quote from Miss W. It will need to pay interest* on that amount from the date it declined the claim, until the date of settlement.
- Consider Miss W's claim for loss of rent under the policy terms.
- Pay compensation equivalent to lost rental income from 9 February 2025, until the date the property was re-let in March 2025 (Miss W will need to confirm the date with HDI). To the sum it pays, HDI will need to add interest*, from 9 February 2025, until the date of settlement.

- Pay a total of £600 compensation for distress and inconvenience, including the earlier £300 offered, but less any amount already 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 HDI to take off tax from this interest. If asked, it must give Miss W a certificate showing how much tax it's taken off.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 8 April 2026.

Michelle Henderson
Ombudsman