

The complaint

A company that I'll refer to as E has complained about how Ageas Insurance Limited dealt with a claim on its property insurance policy.

Mr K, a director of E, has brought the complaint on E's behalf. For ease of reading, I will refer to E throughout.

What happened

E owns a property which is rented out to private tenants. During the Covid-19 pandemic E was unable to inspect the property due to the Government's restrictions. Due to E's tenant not paying the monthly rent, E had the tenant evicted through the courts. When E regained possession of the property it was inspected, and damage identified so E claimed on its policy with Ageas.

Ageas reviewed the claim and accepted it. Ageas initially made an offer of just under £15,000 to settle the claim. E didn't think this was enough and said it was closer to £20,000 to repair the damage and cover loss of rent while repairs were carried out. Ageas reviewed the claim and said it had made a mistake and so reduced the settlement to £2,500, subject to the policy excess. Ageas said this was because the majority of the work claimed for was caused by wear and tear and how the property had been maintained. Ageas therefore also didn't agree the damage meant it was uninhabitable and said it wouldn't pay anything for loss of rent.

E didn't think this was fair and complained. Ageas reviewed the complaint and maintained its position. It said the policy didn't provide cover for wear and tear, breakdown/repair or general maintenance. Ageas also said 13 excesses would apply as there were 13 different areas of damage. Unhappy with Ageas' response, E referred its complaint here.

Our investigator looked into the complaint and recommended it be partially upheld. He didn't find Ageas had acted unfairly by not covering the areas of the claim which related to wear and tear, breakdown/repair or general maintenance. He also didn't think there was sufficient evidence to show the loss of rent should be covered. However, our investigator didn't think Ageas had acted fairly and reasonably by charging 13 excesses of £100 each, and so recommended Ageas reduce this to one excess of £100.

Ageas accepted our investigator's recommendation. E did not. E said it was wrong for Ageas to overturn its initial offer without saying who approved it to be overturned. E also didn't agree the damage to the property wasn't covered. E said the damage was either accidental or malicious, which the policy covered and therefore thought the whole claim should be covered.

I issued a provisional decision on 14 May 2023 where I said:

"E's policy covers its building and contents for certain events, these are known as "insured events or perils". For a claim to be covered by the policy, an insured event needs to occur, which E must show. In this complaint, E has said its property suffered damage by its

previous tenant and that this was either accidental or malicious. I've therefore focused my decision on these areas of the policy when considering E's claim.

Both accidental damage and malicious damage have their own sections in the policy. Accidental damage is defined in the policy as: "Damage caused as a direct result of a single unexpected event." Malicious damage isn't defined in the policy, I've therefore considered the ordinary everyday meaning and think it's reasonable to consider that it is damage caused on purpose.

Ageas has accepted the claim and said it is covering the damage which it thinks is either accidental or malicious. In doing so it's calculated a settlement figure of £2,500 which E disputes. I've asked Ageas how it came to this figure and it's provided a breakdown of parts covered which includes repair to the dining room ceiling, living room carpet, broken phone sockets, broken electrical sockets, broken floor tiles, cracks to the bathroom wash basin and toilet pan, ceiling fan and other items which it has quoted as costing £2,500.

I understand E disputes this amount and says it has cost more than £2,500 to repair this damage. I've reviewed the invoices E has provided and while I can see it's paid significantly more than £2,500 to get the property up to the required standard. It doesn't break down the costs of each area and therefore I'm unable to see what E actually paid for the work covered under the policy. Even if I could see it in this invoice, it doesn't mean Ageas' offer is unreasonable as I'd need to be satisfied E paid a fair and reasonable amount. And one invoice/quote isn't enough to persuade me E paying more than Ageas has quoted for the work means E paid a fair and reasonable amount for the work. And as Ageas' breakdown appears to cover the broken items in E's property, I'm satisfied it's a fair and reasonable amount for Ageas to pay, subject to the policy excess.

In regard to the remaining damage, Ageas has said it's not covered as it's either wear and tear, breakdown/repair or general maintenance. It's explained this is because The policy excludes damage for wear and tear and define it as: "Wear and tear, corrosion, gradually operating cause, rot of any kind, woodworm, fungus, mildew, rust, insects, moth, vermin, faulty workmanship, any cause that happens gradually, or mechanical or electrical breakdown".

E has also explained that some items were missing from the property, such as door and cabinet handles which its needed to replace. Ageas has explained that these items aren't covered if they're stolen by the tenants., I've checked the policy wording and it does say theft isn't covered under buildings or contents if carried out by the tenant. As it appears the previous tenants took these items, I'm satisfied Ageas has acted fairly and reasonably by not covering them in the claim.

For the loss of rent Ageas has also said this isn't covered as the property wasn't uninhabitable due to the damage covered by the policy. The policy says it will only cover loss of rent if the property can't be lived in as a result of loss or damage covered by an insured event. I'm satisfied Ageas has acted fairly and reasonably and in line with the policy terms and conditions when only covering part of the work needed to E's property. From reviewing this work it amounted to £2,500 compared to the almost £20,000 worth of work E said the property needed to make it habitable again. I'm not satisfied the damage covered by the policy was the main cause of the property not being habitable for over two months, as the property needed significantly more work to enable E to be able to rent it out again. I'm therefore not persuaded Ageas has acted unreasonably by not covering the loss of rent E has claimed for while this work was completed.

I've also considered whether Ageas did anything wrong by making an offer of almost £15,000 and then reducing that upon review. I understand this would be inconvenient for E

as it had started work on the property to then find out it wouldn't be covered. This in turn has caused E to question why Ageas changed its position and whether the person making that decision was qualified. While I'm satisfied it was inconvenient for E, it wouldn't be fair and reasonable for me to tell Ageas to pay its original offer. This is because I'm satisfied how it ultimately settled the claim was fair and reasonable and hasn't caused E a loss it otherwise wouldn't have had, I therefore also don't think Ageas needed to say who changed the decision as long as it explained why. However, Ageas not explaining the reduction sufficiently did cause E unnecessary inconvenience as it spent time trying to find out why the position had changed. Therefore, Ageas should pay E £200 to compensate it for the unnecessary inconvenience caused by not explaining the reduction sufficiently to E."

E responded and didn't accept my provisional decision. It said that it hadn't been provided with a copy of the policy documents and if it had known how limited it was it probably wouldn't have bought the policy. E also explained that the contractors used hadn't provided detailed quotes and that it wasn't uncommon for contractors to not produce much detail in their quotes. E also said that evidence had been overlooked and questioned which level of burden of proof it needs to meet. E finally said that the letter from the estate agent shows the property wasn't habitable and therefore felt that I don't think there are health and safety rules for renting out a property.

Ageas responded and didn't agree with the compensation offered. It said E had been sent an e-mail the day the offer was reduced along with the reasons and that a call was made the following day which also explained the reduction, but a copy of the call wasn't available.

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've considered both responses, but I'm not persuaded to depart from my provisional decision. I'll first address E's response.

I understand E is frustrated with the limitations of the policy and not receiving the documents and said it wouldn't have bought the policy if it knew how limited it was. While I understand E's frustration, in this decision, I'm only considering how Ageas dealt with the claim. If E is unhappy with the sale of the policy, then that would need to be raised separately.

In regard to being able to see what repairs E paid for, I understand E said this isn't possible due to how the contractors produce the quotes and invoices. However, just because the contractors E uses didn't explain what E has paid for, doesn't mean it's fair and reasonable for Ageas to pay the quotes. I say that because the policy only covers certain events and therefore to determine if it's been applied correctly, I would need to see evidence of the work completed and why.

I would like to assure E that I have reviewed all the information provided by both parties when reaching my decision. While E said that I don't think there are health and safety rules when renting out the property, I disagree. I understand there are certain rules to be met, however my role is to consider whether Ageas dealt with its claim in line with the policy terms and conditions, not whether the property was in a suitable condition for E to rent out.

I've also considered Ageas' response and I'm not persuaded to change from my provisional decision. Ageas provided the e-mail sent to E when the initial claim amount was reduced, and while it does have some information in, I'm not satisfied E fully understood the reasons. I say this because it only lists some parts and says why they're covered but not why other sections didn't fall within the policy. I'm also not able to listen to the call made the next day to

understand what was discussed and so it follows that I'm not persuaded to depart from my provisional decision as I think this poor claim handling caused E unnecessary inconvenience.

My final decision

For the reasons explained above and in my provisional decision, my final decision is that I uphold this complaint in part. I require Ageas Insurance Limited to pay £200 for the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask E to accept or reject my decision before 4 July 2023.

Alex Newman
Ombudsman