

## **The complaint**

Mr P has complained about the way Zurich Insurance PLC handled his claims and that it withdrew its offer to renew a buildings insurance policy.

## **What happened**

Mr P took out a buildings insurance policy with Zurich in September 2021 to cover a building which consists of three flats. Mr P owns 50% of the freehold interest and a leasehold interest in one of the flats. He later realised that the policy should have been in the joint names of himself and the other freeholders.

On 5 July 2022 Mr P contacted Zurich as he'd noticed water penetration in the building. Zurich registered two claims – one for damage caused by a water leak from a first-floor bathroom and the other relating to damp patches in the ground and basement flats. Mr P says he told Zurich at that time of his intention to move out of his ground floor flat and then let it out.

Zurich offered to send its supplier to carry out a leak detection and damp assessment survey. Mr P agreed to that as he was led to understand it was covered by his policy. Several weeks later he chased the supplier and it turned out they hadn't been instructed by Zurich. The leak detection assessment was eventually carried out on 16 August and the damp assessment a week later.

The supplier found that external water and ground water was entering the property. There was also a separate issue with cracked tiles or grouting in the first floor bathroom which had caused some damage to the ground floor lounge ceiling. It recommended a full survey by a damp course specialist. In September Zurich's loss adjuster told Mr P that the underlying causes of the damp would need to be addressed before he could claim for remedial works under the policy.

On 9 September Zurich invited renewal of the policy. Mr P told Zurich that he had moved out of the ground floor flat. Zurich later said that due to the current claim and the premises being unoccupied, it would no longer look to renew the policy. Mr P pointed out that only one flat was unoccupied and that was largely because of the delays in dealing with the claim. Zurich offered a 14-day extension of cover until 13 October to give Mr P time to find alternative cover. Mr P found it difficult to find alternative cover because of the need to disclose the fact that Zurich had refused to renew the policy and the ongoing claims.

On 14 October Zurich offered £2,500 to settle the claims. The offer was accepted. Mr P obtained his own damp assessment survey and arranged for the necessary repairs.

On 18 October Mr P appealed to Zurich to reinstate the renewal terms and remove the previous refusal to renew from his record. On 7 November Zurich told him it would renew the policy but by that time Mr P had found alternative cover.

Mr P said there were two weeks without any cover at all. He complained that it had taken him a considerable amount of time to sort this out. He thought he should be compensated for

loss of earnings amounting to £2,500 and for the distress and inconvenience he'd suffered. He also said the delay had caused him to lose at least two months' rent for his flat at a rate of £2,000 a month.

Regarding the policy renewal Zurich said it would have needed Mr P and the other two leaseholders to form a resident's association or a property management company, responsible for the whole block of flats, and for the insurance to be issued in the name of the association or company. Zurich said that the issue had only come to light after its review of the claim by which time renewal terms had been offered. It thought it had acted fairly by subsequently agreeing to offer renewal terms although it had no obligation to do so.

It didn't agree that Mr P had suffered loss of rent due to delays in progressing the claim. It said some of the damage was linked to an earlier repair which wasn't its responsibility. It said the flat hadn't been uninhabitable due to the insured damage as this was limited to decorative staining and minor plaster repairs.

Zurich offered compensation of £750 which Mr P rejected. He said he would accept £4,000 in satisfaction of his complaint.

Our Investigator appreciated there were delays with the claim and it didn't always run smoothly. She agreed there was confusion over the inspections that Zurich would carry out prior to the claim being settled and that Mr P had been given contradictory information regarding renewal of the policy. She recommended Zurich should pay a total of £1,250 compensation.

As Mr P didn't agree, the matter has been referred to me.

### **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.

Mr P has made a number of detailed points. While I have considered all the information provided, in this decision I'm going to focus on what I see as the central issues in this complaint.

There's no doubt that Zurich failed to deal with the claim promptly. At the outset there was a delay of over a month in Zurich sending its surveyor to the property. It also failed to make it clear to Mr P that the purpose of the survey was to validate the claim and not necessarily to find the underlying cause of the dampness. If Mr P had known that, he could have arranged his own survey sooner and the property could have been repaired shortly afterwards.

Mr P said that the delay cost him at least two months' loss of rent as he wasn't able to market the flat until after the repairs had been carried out in December. His policy doesn't cover loss of rent. However, I can direct Zurich to pay costs outside of the policy terms if it is fair and reasonable in all the circumstances of the complaint to do so. Here I'd need to be persuaded that that it was Zurich's fault that Mr P suffered the loss of rent. I note that despite the damage which Mr P had reported in July 2022 a month later a letting agent told Mr P he had "*tenants crying out for a flat like this*". Another agent said around the same time that it was "*a brilliant flat which I have no doubt would do very well on the lettings market.*" So I'm not persuaded that the delay in repairing the property would have made it unattractive to potential tenants and so caused a loss of rent.

I think it's fair and reasonable for an insurer to give adequate notice to a policyholder if they don't intend to offer renewal or, as in this case, they withdraw the offer of renewal. This is so

that the policyholder has enough time to obtain a policy elsewhere. In this case Mr P was put under extreme pressure to arrange alternative cover and in fact for a short period the building wasn't covered at all. I think the conflicting reasons Mr P was given for the withdrawal of the offer of renewal would have added to the stress of the situation because he might have found it easier to obtain other cover if he'd known what Zurich found unacceptable. Mr P thinks he should be compensated at his normal hourly rate for the time he spent sorting this out. I've taken into account the stress and inconvenience when looking at the overall award of compensation. However, while I accept that Mr P would have had to spend several hours sorting this out as a matter of urgency, I haven't seen any evidence that he suffered a financial loss due to not being able to work as a result.

I appreciate that Mr P doesn't think the amount of compensation is adequate for the distress and inconvenience he's experienced. I want to reassure him that I have taken into account everything he's said when reaching my outcome. In the circumstances I think an award of £1,250 is in line with this service's approach to other complaints where a similar level of distress and inconvenience was caused.

### **My final decision**

I uphold this complaint and require Zurich Insurance PLC to pay Mr P compensation of £1,250 for the trouble and upset it's caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 9 April 2024.

Elizabeth Grant  
**Ombudsman**