

## **The complaint**

Mr S complains that Zurich Insurance Company Ltd has not settled a claim on a commercial property insurance policy.

## **What happened**

Mr S owns the leasehold to the flat where he lives. Zurich provides the buildings insurance for the owner of the freehold and the lessees.

In May 2023 there was a fire in one of the flats which caused damage to that flat and three others, including Mr S' flat. The managing agents for the building dealt with repairs to the communal areas. Mr S made a claim on the policy in relation to the damage to his flat, as did the lessees of the three other damaged flats.

Zurich appointed loss adjusters to consider the claims. The loss adjusters attended on 30 May to inspect the damage. They asked the lessees for estimates for repairs.

Mr S obtained a quote, which he provided to the loss adjusters in September 2023. Correspondence followed, with the loss adjusters questioning the size of the estimate and a claim by Mr S for loss of rent. He said he had been intending to rent his flat but wasn't now able to do that.

Mr S was unhappy with the progress of the claim and complained about the delay in settling it. In its final response to the complaint, Zurich said

- Mr S asked for a cash settlement. The loss adjuster asked to see the report and recommendations Mr S had obtained but didn't receive these until early September.
- When Mr S raised the loss of rent they explained he would need to provide evidence of a lease agreement or other evidence of arrangements in place to let the flat.
- Mr S was told his scope of works wasn't agreed and it was suggested he obtain a quote from contractors who had done other repairs on the building. An interview with Mr S was requested but he didn't agree to this
- There was a short delay in October 2023 but otherwise it dealt with everything promptly. Compensation of £100 was offered for the short delay.

When Mr S then referred the complaint to this Service, our investigator said

- There was no delay other than the short delay in October 2023, which Zurich had acknowledged and the £100 compensation paid for that was fair.
- There was an expert report saying there was no damp in the communal areas. Based on that, it was reasonable for Zurich to say there was no outstanding water damage.
- Given the extent of the damage and concerns the quote Mr S had obtained may be too high, it was reasonable to ask for a second quote. It was also reasonable to request an interview.
- There was no evidence for the loss of rent claim.

Mr S disagreed and provided further comments, which included

- There have been problems since a previous incident in 2019 and his health has been severely affected. He didn't want to deal with Zurich after the problems with his previous claim.
- He's been treated differently from the other flats; their claims have all been dealt with.
- There was extensive water damage as shown by the report he obtained. And he's been left with a door that doesn't shut properly, and water and smoke damage.
- He hasn't received the compensation of £100.

The investigator considered the further comments but didn't change her view, though she said if the compensation had not been paid and Mr S wished to accept it, she would ask Zurich to pay it.

As no agreement has been reached, I need to make a 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.

Mr S has explained to us how badly he's been impacted as a result of the fire and resulting damage. He has a number of health issues and disabilities. And he's explained that a previous claim took a long time and left him not trusting Zurich. I appreciate how difficult the situation has been for him but some of the points he's raised are about his previous claim or concern the freeholder and managing agents. I'm only considering how Zurich dealt with this claim and can't consider anything else.

The relevant industry rules and guidance say insurers must deal with claims promptly and fairly and not unreasonably reject a claim. They should settle claims promptly once settlement terms are agreed. Zurich should give consumers timely and clear information, and provide appropriate support so they don't face unreasonable delays. I've taken these rules into account when considering how Zurich dealt with the claim.

The policy provides cover for the damage and that's not in dispute. Zurich accepted the claim and the issue is how it's been handled. Mr S says there have been delays and Zurich hasn't settled the claim promptly despite him providing an estimate for the repairs.

The policy terms say Zurich will settle claims by paying the amount of the damage or at its option, reinstate or replace the property. Mr S said he wished to have a cash settlement and arrange the repairs himself. Zurich agreed to that and asked him to provide an estimate. That was a reasonable approach to take.

There are two key issues in dispute - the extent of the damage and the claim for loss of rent.

With regard to the damage, the loss adjusters advised that they inspected the flat more than once and anticipated a scope of repair work involving redecoration of the area around the front door and possibly replacement of the door.

What Mr S provided is more extensive decoration of the flat. The loss adjusters advised Mr S they expected his scope of works to be similar to the other flats and his quote wasn't one they could agree.

In the circumstances, it was reasonable to ask for a second quote and to want to talk to Mr S to discuss this in more detail. It's for Mr S to prove his claim, so he would need to prove the repairs he's asking to be covered are a result of the fire. As the loss adjuster's inspections suggested only a small area needed redecoration, it was reasonable to want more evidence.

The loss adjusters suggested obtaining a quote for the repairs to his flat from the contractors who were already on site dealing with repairs to the communal areas. Mr S had expressed a positive view of their work. I think that was a reasonable suggestion.

Mr S was concerned the damp in the communal area hadn't been resolved and so there would be further damp issues in his flat. Zurich took on board his concerns about this and arranged with building management to obtain an expert's report, which said there was no continuing damp issue. So it addressed that issue.

Mr S didn't agree to the request for an interview and said he felt he was being unfairly targeted. I appreciate he was concerned, but Zurich explained his claim had been referred for further investigation and explained the reasons for wanting to speak to him rather than just put questions in writing.

Looking at the circumstances of the fire and the evidence it had, I think it was reasonable for Zurich to want to talk to Mr S about the claim. It took on board his concerns and offered different arrangements including a face to face or video discussion, and suggested someone may be able to assist him with the interview if he needed that.

In his recent comments to our investigator, Mr S indicated he might attend a meeting if this is discuss the current claim and nothing else. Having a conversation would allow both parties to discuss what's needed to allow the claim to move forward.

Other than the short delay in October 2023, which Zurich has acknowledged, overall I think the way it dealt with the claim was fair. It had reasons for requesting further evidence and considered the appropriate ways to obtain this, taking into account Mr S' needs. It adapted its written communication when he requested this.

If the compensation hasn't been paid and Mr S now wishes to accept that, he may contact Zurich to arrange this.

Mr S has said he originally complained in August 2023, not October and so there was also delay in responding to his complaint. From the correspondence I've seen, although he raised some issues in August, these included the earlier claim and it wasn't clear he wanted to complain about this claim until later.

For the loss of rent claim, it would again be for Mr S to prove that claim. So he'd need to show the flat was about to be rented to tenants. He's provided some email correspondence indicating he had been in touch with agents about possibly letting the flat, but it hadn't got further than that. It wasn't a situation where a letting had been agreed and fell through because of the fire. So I don't think he's shown there was a loss of rent claim at the time.

As I've mentioned, Mr S has explained how badly he's been affected since the fire. I appreciate the fire itself was a traumatic event. It would be difficult to deal with an event like this and with the insurance claim but, for the reasons set out, I'm satisfied Zurich dealt with it fairly and in line with the policy terms.

### **My final decision**

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 14 August 2024.

Peter Whiteley  
**Ombudsman**