

## The complaint

Ms W complains Royal & Sun Alliance Limited's poor handling of her landlord insurance claim caused her a financial loss.

## What happened

In July 2023 Ms W made an escape of water claim against her RSA landlord insurance policy. A leak had resulted in damage to several rooms in her let property. RSA accepted the claim. In September 2023 Ms W declined RSA's offer to cash settle, for the repairs, at about £1,000. In November 2023 her tenant, unhappy with the unrepaired condition of the property, moved out. In December 2023 RSA produced a scope of works for repairs. Ms W declined an offer to cash settle at about £6,000. She wanted RSA's contractors to undertake the repairs. Its contractors completed works in April 2024 – with claim costs rising to above £13,000. Ms W relet the property to new tenants in May 2024.

Ms W complained to RSA about its handling of the claim. She said it had delayed settling the claim. She considered this had been responsible for her losing the long-term tenant and her then being unable to relet the property until May 2024. She said RSA had therefore caused her to lose rental income and incur other expenses. She asked it to compensate her for the loss.

RSA issued a complaint response in June 2024. It accepted responsibility for some avoidable delay during the claim. It paid Ms W £400 compensation as an apology. Soon after it considered her request for loss of rent against the terms of her policy – rather than as compensation for its own poor claims handling. RSA refused to cover any losses. It said a policy requirement for the property to be uninhabitable hadn't been met.

Unsatisfied with RSA's response, Ms W referred her complaint to the Financial Ombudsman Service. She said a simple claim had taken RSA from July 2023 until April 2024 to finalise. She considered RSA's poor claims handling had cost her six months rental income – plus utility and travel costs she wouldn't have otherwise incurred. To resolve her complaint she would like RSA to cover these financial losses – as compensation rather than as payable under her policy terms.

Our Investigator found RSA to be responsible for around three months of unnecessary delay. She felt this had caused Ms W unnecessary distress and inconvenience – to make up for that she recommended it increase its compensation offer to £600. But the Investigator wasn't persuaded RSA was responsible for the tenant moving out. So she didn't recommend it cover any loss of rent. RSA accepted that proposed outcome. As Ms W didn't the complaint was passed to me to decide.

I issued a provisional decision. In it I explained why I intended to require RSA to pay Ms W two months loss of rent (plus simple interest) and a further £250 on receipt of evidence of the property being relet in May 2024. As my reasoning forms part of this final decision I've copied it below. I also invited both parties to provide any further evidence or comments for me to consider before issuing this final decision.

### ***what I've provisionally 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.*

*As this is an informal service I'm not going to respond here to every point or piece of evidence Ms W and RSA have provided. Instead I've focused on those I consider to be key or central to the issue. But I would like to reassure both that I have considered everything submitted.*

*Ms W hasn't asked for loss of rent to be covered by her policy. She accepts the property wasn't uninhabitable as required. So I haven't considered if RSA's refusal to pay under the policy was fair. Instead, as Ms W explained to RSA several times, she wants it cover rental income she missed out on because of its poor handling of her claim. That's a different request to a claim for loss of rent to be paid under the terms of her policy. She made the distinction clear to RSA – but unfortunately it failed to respond to her actual request and complaint point.*

*So I've considered if RSA's mistake or failure did result in a loss for Ms W – and if so, if it would be fair and reasonable for it to cover any losses. For RSA's benefit – I will not be considering if the property was 'uninhabitable'. It is accepted it wasn't uninhabitable. And I'm not considering 'loss of rent' against the terms of the policy (where 'uninhabitable' would be an important factor).*

*First, I'm not persuaded RSA can be said to be responsible for the tenant moving out. She may have departed because of the condition of the property. But she served notice to Ms W eight weeks after the loss. Even if RSA had handled the claim perfectly its unlikely repairs would have been completed within that time frame. So it seems likely the tenant would have departed, following the loss, regardless of RSA's performance.*

*However, I am persuaded RSA's handling of the claim caused avoidable delay to Ms W being able to relet the property. I discuss the two key stages of the claim below – production of a scope of works and completion of repairs.*

*RSA didn't provide a detailed scope of works until five months into the claim – in mid-December 2023. That's despite the scope of works being raised as an issue by Ms W several months earlier. I accept a small part of the delay arose from Ms W's availability. However, the delay was largely the fault of RSA. As an example it didn't appointment a loss adjuster to produce the scope of works until October 2023. So it failed to develop an understanding of the extent of damage until months into the claim.*

*In my opinion RSA's poor progression of the claim resulted in a scope being produced at least a couple of months later than it should reasonably have been. That delay seems likely to have had the knock-on effect of delaying commencement of repairs.*

*I can't fairly say RSA was responsible for avoidable delay in moving the claim from scope of works to completion of repairs. That did take around three or so months. On the limited information I've seen, works, once started, took around a month to complete. But I don't consider RSA responsible for avoidable delay in commencement of those works.*

*In early January 2024 Ms W declined RSA's second cash settlement offer. She raised various personal reasons for not wishing to accept it. It's worth noting the policy terms allow RSA to choose to provide a cash settlement, instead of using its own contractors, for repairs. So under the terms it could have insisted Ms W accept the cash. It didn't though. Instead it advised Ms W it would likely be 12-16 weeks to undertake repairs. That was a fairly accurate estimate in the end.*

*So Ms W was provided with an option for settlement – and informed of the likely timeline for repairs if declining the cash offer. There were a few months until repairs began. Unfortunately repairs can be subject to availability of contractors. I don't consider that period, in the circumstances, to be unreasonable.*

*To conclude - RSA took around two months too long to produce a scope of works. Had it produced one in a reasonable time it's likely repairs would have been booked and commenced a couple of months earlier than they were. So in my opinion it unfairly delayed completion of the claim by around two months. I've considered if that caused Ms W a loss.*

*Having seen the photos of the property after the escape of water and considered the scope of works I accept, whilst it wasn't strictly 'uninhabitable', it probably would have been difficult and impractical to let it before repairs completed. Ms W did let it around a month after repairs completed. Without anything to persuade me otherwise it seems likely that, had RSA not delayed the claim, Ms W would have been able to do so around two months earlier. So I intend to find it caused her the loss of two months rent and additional costs a tenant would have otherwise incurred – including council tax and utilities.*

*To put things right I intend to require RSA, on receipt of evidence the property was relet in May 2024, to pay Ms W the equivalent of two months rent at the rate paid by the new tenant. It will also need to pay her £250 to cover council tax and utilities for two months. That's an estimate of costs I've made in the absence of knowledge of exact costs. Alternatively if Ms W can provide exact costs I will consider if it's appropriate to make a different award. Either way as she will have been unfairly without those funds simple interest should be added, at 8%, from the date Ms W would have received the rent or did make the payments until the date of final settlement.*

*I recognise RSA's handling of the claim and response to her complaint caused Ms W some distress and inconvenience. But I consider the compensation its already paid to be enough to recognise the impact on her. So I don't intend to require RSA to pay her any additional compensation.*

### **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.

RSA agreed to the outcome I proposed in my provisional decision. Ms W didn't explicitly say if she accepted my proposed outcome. She provided several additional comments and some supporting evidence that indicated she felt RSA should cover a longer period of loss of rent.

In summary she said, had RSA handled the claim effectively, repairs would have been in progress by September 2023 and completed the following month. That would have avoided the loss of the then existing tenant or allowed her to relet the property by November 2023.

I've considered Ms W's recent points and arguments – including the effort she put into progressing the claim to a scope of works. However, for the reasons I gave in my provisional decision, I'm still of the opinion RSA's poor claim handling delayed completion of repairs by a couple of months – rather than the six months or so Ms W claims. I'm still not persuaded it was responsible for the tenant serving notice – with that happening in September 2023.

So I still intend to require RSA to pay two months loss of rent (plus simple interest) and a further £250 for additional costs on receipt of evidence of the property being relet in May 2024.

Ms W said she hasn't been paid £400 compensation offered in the June 2024 complaint response. She explained she was paid that amount earlier this year, but that settled a different offer of compensation made in late 2023. If RSA hasn't paid the compensation offered in the June 2024 final response it should do so as part of its compliance with this final decision.

### **My final decision**

For the reasons given above, I require Royal & Sun Alliance Limited to pay two months loss of rent (plus simple interest as set out above\*), plus a further £250 on receipt of evidence of the property being relet in May 2024 and, if it hasn't already, £400 compensation offered in its June 2024 complaint response.

\*If RSA considers it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms W how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 14 January 2025.

Daniel Martin  
**Ombudsman**