

The complaint

Mr S complains that Fairmead Insurance Limited has failed to pay for alternative accommodation under his home insurance policy.

Where I refer to Fairmead, this includes the actions of its agents and claims handlers for which it takes responsibility.

What happened

The detailed background to this complaint is well known to both parties, so I'll only summarise the key events here.

In February 2021, Mr S suffered an escape of water at his property leaving it uninhabitable. He made a claim to his insurers, Fairmead, for the damage to the building and the cost of alternative accommodation (AA).

Mr S complains that, despite providing Fairmead with all the information it asked for, his AA claim hasn't been paid.

Fairmead say Mr S hasn't provided sufficient evidence to enable the claim to be validated.

Our Investigator considered the complaint but didn't uphold it. He said Fairmead had acted in accordance with the policy terms and hadn't treated Mr S unfairly.

As Mr S didn't agree, the complaint was passed to me to decide. And I issued the following provisional decision.

My provisional decision

Mr S' home insurance policy covers him for damage caused by an escape of water and AA if his property is uninhabitable as a result.

Fairmead has accepted there was an insured peril of an escape of water and has gone on to deal with the claim for damage to the building. That claim is not the subject of this complaint. I'm only looking into the AA claim.

AA1 – February 2021

Mr S initially stayed on a friend's sofa following the discovery of the damage. I'm not aware that Mr S has made any claim for AA costs in this respect.

AA2 – March 2021 to May 2021

Subsequently, Mr S moved into a property owned by his brother-in-law. He's provided a signed copy of a short-term tenancy agreement dated 18 February 2021, which states the term of the lease was three months starting on 1 March 2021.

Mr S says the arrangement was that he didn't have to pay a deposit and the rent would be £1,800 per calendar month – which is reflected in the signed agreement – provided that he paid in cash and took care of the property.

We've been provided with Mr S' bank statements where he's highlighted the following cash withdrawals:

15 Feb 21	£500
3 Mar 21	£500
5 Mar 21	£250
22 Mar 21	£300
29 Mar 21	£500
12 Apr 21	£300
7 May 21	£500
24 May 21	£500
1 Jun 21	£500

In addition, Mr S has provided a receipt showing the following cash withdrawal which he's confirmed is for the May 2021 rent:

12 Jun 21	£1800
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These transactions total £5,650. Mr S' three months rent would've amounted to £5,400.

Fairmead hasn't accepted the tenancy agreement and bank statements as sufficient evidence of the AA costs because there's no proof this money was paid to the landlord (Mr S' brother-in-law).

I can understand why Fairmead says this is insufficient evidence. I'll explain why.

The tenancy agreement says the rent is due on the 1st of each month. This means Mr S would've needed to pay £1,800 on 1 March 2021 but he'd only withdrawn £500 by this date. He hadn't withdrawn enough for a full month's rent until 29 March, at which point the next month's rent was almost due.

Even if I was to accept that Mr S was paying rent in arrears, rather than in advance, he only withdrew £300 in April which isn't enough to pay the rent on 1 May 2021.

I appreciate Mr S may have had an informal arrangement with his brother-in-law regarding when rent was paid. But they've taken the time to draw up a tenancy agreement specifically stipulating when rent is due, so it's unclear why payment would be made so sporadically. It's also not clear why they haven't taken the time to document the receipt of payments, especially as Mr S was aware he wanted to claim these back from Fairmead.

There's been no evidence provided to date that these sporadic cash withdrawals for differing amounts have been passed on to Mr S' brother-in-law as rental payments. Even if Mr S didn't get receipts, I would've expected there to be some sort of communication between him and his brother-in-law about the payments, such as text messages or emails. I'm not aware that Mr S has provided any evidence of this nature to Fairmead.

The tenancy agreement also says Mr S will be liable for council tax whilst living at the property. I haven't seen any evidence showing that Mr S paid this or any other utilities at the address.

Fairmead has established that this property was vacated by the previous tenant in October 2020. The brother-in-law and his wife moved into the property on or around June 2021. As such, I'm persuaded it's plausible Mr S was living here during the three-month period. What I can't be satisfied about, on the current evidence available, is that he paid rent.

If Mr S can supply more evidence to support this, he should provide it to Fairmead in the first instance and I'd expect it to consider the matter further. But on the evidence it had available, I don't think Fairmead acted unreasonably by declining to pay the costs of this AA.

AA3 – June 2021 to May 2022

On 27 May 2021, Mr S entered into a tenancy agreement for another property effective from 7 June 2021. The agreement was for 12 months on the basis that Mr S would pay the full year's rent of £22,800 up front.

Mr S has provided a copy of the signed agreement, a handwritten note from the landlord stating "£22,800 payment received" with their name and date, and a bank statement from July 2015 showing a transaction of £23,200.

Again, I can understand why Fairmead has concluded that this evidence is insufficient.

Firstly, the tenancy agreement was typed up and signed by both Mr S and the landlord on 27 May 2021. This is the same date on which the receipt was written. It's unclear why the landlord would provide a typed tenancy agreement but not type up a receipt.

Nor is it clear why the landlord didn't sign the receipt. Their signature is on the tenancy agreement, but they've only printed their first name and initial of their surname on the receipt. For this reason, I can't compare the signatures to be satisfied the receipt was provided by the landlord themselves.

This is important evidence because Mr S paid his whole year's rent in cash. And, not only that, but he's also alleging that he withdrew this cash from his account almost six years prior. I appreciate Mr S says he had this money saved from a work redundancy. But that doesn't explain why he chose to withdraw cash for the first rental, when he had such a large amount of cash readily available to him.

It's not that I disbelieve Mr S' version of events. But he needs to prove his claim to Fairmead. As he's chosen to pay cash and there is no recent audit trail for that cash, there is more of a burden on him to have sufficient evidence from the landlord. And for the reasons I've explained above, I don't find the handwritten receipt very persuasive.

AA4 – June 2022 and onwards

Once the 12-month tenancy expired, Mr S moved back in with his wife (with whom he's separated) and his children. He says he rents a small loft room for £1,000 a month and he's provided bank statements showing the monthly transactions from his account to his wife's.

I understand that Mr S jointly owns this property with his wife; they're both on the mortgage and land registry as joint owners. It's not clear who pays the mortgage for this property. But given that Mr S advises his wife is a housewife, I would assume he pays the mortgage, or at least contributes to it.

As such, it's not clear why Mr S is paying rent to live in a property which he owns and, more likely than not, pays the mortgage for. Ultimately, it's his choice to do so. But I'm not

persuaded this qualifies as AA under his insurance policy or that it's fair for Fairmead to pay the costs of Mr S living in his own property. This isn't the intention of AA cover.

Disturbance allowance

For the reasons I've explained above, I don't think Mr S has proven his claim for AA.

But it's not disputed that Mr S was living in the insured property at the time of the escape of water and it's accepted that the property was uninhabitable as a result. Mr S *must* have been living somewhere else for the 16 months before he moved back in with his wife. So even though he can't satisfactorily evidence his AA payments, it doesn't automatically follow that he gets nothing under his policy when he has cover for this situation.

I'm also mindful that Fairmead didn't accept Mr S' escape of water claim until November 2021. Because of this delay, Mr S has been left to make his own AA arrangements without guidance from Fairmead around the parameters of what is covered and what evidence he'll need to substantiate his losses.

If Fairmead had accepted the claim promptly, it would've had a conversation with Mr S about his options, where he intended to stay, and what specifically it would need from him. It could've discussed the options Mr S had if he was only able to pay his rent in cash. Instead, by the time Fairmead accepted responsibility for this claim, Mr S was in his third AA and had entered into a 12-month tenancy where he'd already paid for the year upfront in cash.

With this in mind, I'm persuaded Fairmead should pay Mr S disturbance allowance from the point of his claim until the point he returned to his marital home, at a rate of £50 per week. This is to recognise that, whilst it can't be satisfactorily proven how much, Mr S was incurring costs living elsewhere whilst his property was uninhabitable. I calculate this to be approximately 69 weeks, which means Fairmead should pay £3,450.

I appreciate this doesn't cover all of Mr S' losses and I'm aware he'll be disappointed with this modest award. But without sufficient evidence of the rent he's paid, I'm satisfied this is a fair resolution.

Responses to my provisional decision

Mr S has responded to my provisional decision. Whilst I don't intend to set out his points in full, I've summarised the key information as follows:

- Mr S has provided a signed letter from his brother-in-law, confirming Mr S resided at AA2 paying £1,800 per calendar month for a period of three months.
- The tenancy agreement for AA3 was typed up and signed by the landlord in advance. Mr S says he doesn't think the landlord was expecting to need to write a receipt as she may have assumed payment was being made by bank transfer or cheque. He says the landlord isn't a professional, she was renting out her home for the first time and therefore lacked experience in the documentation she needed to provide.
- Mr S has provided an email from the landlord of AA3 confirming she's not comfortable providing her bank statements but has provided a typed and signed receipt evidencing the year's rent payment.
- Mr S confirms that his wife has been responsible for the mortgage of AA4 since he brought the insured property. He is owner of the property on paper only.

Fairmead has accepted my provisional 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.

I'd like to reassure Mr S that whilst I may have condensed what he's told us in far less detail and in my own words, I've read and considered all his submissions in full. I'm satisfied I've captured the essence of the complaint and I don't need to comment on every point individually, or possibly in the level of detail he'd like, in order to reach my decision. This isn't meant as a discourtesy, but simply reflects the informal nature of our service.

Having considered the additional points raised by Mr S, I remain of the opinion set out in my provisional decision. I'll explain why.

AA2

I've considered the signed letter from Mr S' brother-in-law. However, the signature on this letter is different to the signature on the tenancy agreement. So I don't find this evidence particularly persuasive.

AA3

I've noted the comments made about the landlord of AA3. However, the tenancy agreement specifically states that payment of the year's rent must be made in cash or cheque. So I don't agree that the landlord would've assumed she'd be receiving a bank transfer or that she wouldn't need to provide a receipt.

Mr S has now provided a typed receipt from the landlord. But this hasn't been provided to Fairmead, so I can't consider it. My role is to consider whether Fairmead acted fairly based on the evidence it had at the time.

Mr S can provide this evidence to Fairmead directly. And I would expect it to reconsider the matter and undertake further investigations.

AA4

Whilst I note what Mr S has said about the mortgage arrangements with his wife regarding AA4, I've been provided with no evidence of this. And, as explained above, Fairmead would need to consider new evidence in the first instance. So I would suggest that Mr S provide any further information to Fairmead so it can reconsider the matter.

My final decision

For the reasons I've explained, I uphold this complaint and direct Fairmead Insurance Limited to pay Mr S the sum of £3,450 in resolution of his AA claim.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 25 December 2024.

Sheryl Sibley
Ombudsman