

The complaint

C complains Ageas Insurance Limited didn't make all the vacant possession payments that were due under its rent protection insurance policy.

Where I refer to Ageas, I include their claims handlers and agents acting on their behalf.

What happened

In March 2021 C took out a rent protection insurance policy in which their client, Mr S, had an interest in relation to his rental property. Later that year Mr S's tenant fell into arrears. He made a claim on the policy. Ageas accepted the claim in around November and made several missed rental payments.

The tenant was evicted in September 2022. Ageas made vacant possession payments under the policy for October and November. But they declined to make any payment for December. They said there was a breach of the policy terms since Mr S was refusing to accept a reasonable offer of tenancy.

Mr S was unhappy with Ageas's decision. He felt tenants who'd been proposed were unsuitable since they couldn't show they'd be able to pay 12 months' rent, and he didn't want to accept tenants on housing benefit. The previous tenants had fallen into arrears when they'd started to receive housing benefit. He didn't want to be in the same position again.

Ageas didn't uphold the complaint. They said Mr S's refusal to accept tenants was unnecessarily extending the period of vacant possession, so they'd been right not to make the final vacant possession payment.

The complaint was referred to the Financial Ombudsman Service. Our investigator didn't uphold it. She said, broadly, the claim wasn't covered since Mr S had turned down reasonable offers of tenancy. Since the complaint hasn't been resolved, it's been passed to me to decide.

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'm sorry to hear of the problems Mr S had with his tenants. I can understand the possession proceedings against them were lengthy and stressful. And I can appreciate he was reluctant to take on new tenants who were in a similar financial position to the previous ones given the difficulties that arose. However, for reasons I'll explain, I don't uphold this complaint.

In line with Financial Conduct Authority rules we expect insurers to consider claims promptly and fairly and not to decline claims unreasonably. I'll consider the complaint against that background. The starting point is the terms and conditions of the policy.

The policy allowed a claim to be made for unpaid rent, up to the policy limit, where Mr S's tenant had defaulted, subject to the terms, conditions and exclusions set out in the policy.

Under condition 1 of the rent recovery cover, the policy paid rent arrears for up to 15 months or until vacant possession of the property had been obtained. Once the property was empty, section 2 applied. Vacant possession of the property was obtained in September 2022. So, section 2 came into operation then.

Section 2 provided cover for up to three months' rent subject to certain conditions. They included, at paragraph c, that C "*must recommend to the **Landlord** [Mr S] to accept any reasonable offer of **Tenancy**, which is in excess of 85% of the preceding **Rent**, unless such offer is made by, or includes any person against whom action has been taken via a claim under this, or the previous **Period of Cover**."*

Ageas made payments for October and November 2022. But they didn't pay in December. Mr S told Ageas that the tenants who'd been proposed hadn't shown they could meet 12 months of rental payments and he wasn't accepting tenants on housing benefit.

Ageas later spoke to C who said the property had been put up for sale in September 2022 and sold in January 2023. C said it had discussed with Mr S a proposal under which an insurance company would make the rental payments to house a family, who'd had to move out of their home, while they marketed it for sale. But Mr S hadn't responded.

I note Mr S's point the previous tenants had been screened by Ageas and had later failed to pay the rent. And I can see why he'd be reluctant to take on tenants without appropriate checks and references. Mr S was entitled to make that choice. But it didn't mean Ageas should have to continue to make payments under the policy.

This was C's policy. And from what I've seen, C complied with the policy requirement to recommend reasonable offers to Mr S. The policy didn't say in terms what happened if Mr S didn't accept C's recommendation. Ageas say general condition 1 b iv allowed them to deduct a "*Penalty Excess*" where the costs of handling increased due to any act, error or omission by C or Mr S. I don't think the definition of "*Penalty Excess*" is met here. But, given the circumstances - that Mr S wasn't considering tenants on housing benefit and could probably have let the property and avoided losing rent - I think it's reasonable Ageas didn't make the December payment.

In any event, I think Ageas could have declined the claim on other grounds. The policy provided vacant possession cover on condition the property was made available for letting. And the policy excluded cover for periods when the property was being advertised for sale.

C told Ageas it had been marketing the property for sale since September 2022. If they'd known the position sooner, Ageas would have been able to decline cover on grounds the condition that the property be made available for reletting wasn't met. And, as the property was being marketed for sale, the exclusion applied.

I note Mr S has said Ageas only paid 80% of the rent under the rent protection policy. Any concerns he has about that aren't part of this complaint. C and Mr S would need to make a complaint to Ageas first before we could look into that.

Bearing everything in mind, I think it was reasonable for Ageas to decline the claim. And, whilst I understand Mr S will be disappointed, I don't uphold the complaint.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 25 August 2023.

Julia Wilkinson

Ombudsman