

The complaint

M complains that QIC Europe Ltd unfairly declined its claim on its commercial insurance policy.

Mr B, as a director of M, brings this complaint on its behalf.

What happened

Mr B bought the franchise for M in 2019 and rented the premises for its operation. He took out a commercial property insurance policy to cover the contents of the premises. The policy was taken out through a broker and underwritten by QIC. In January 2020 there was a fire at the premises after a gas chargrill caught fire while it was being used.

Mr B made a claim on M's policy. QIC sent an expert to inspect the damage and they concluded the fire was caused by a build up of food residue in the grill, with the spread of the fire being further aided by grease residue on the extraction duct.

QIC subsequently declined M's claim. It said there were conditions in the policy that required the extraction duct to be cleaned by a specialist contractor every 12 months. And that greasy waste and cloths should be stored in metal containers. It said Mr B had been unable to show that he'd met either of these conditions so there would be no policy cover.

Mr B didn't think this was fair. He said the equipment had been cleaned in line with the policy conditions, but he acquired the premises less than 12 months before the fire and didn't have receipts to prove this had been done by the previous tenants or owner. He also said the expert sent by QIC didn't take the equipment away to inspect it properly, but instead just concluded it was caused by grease with little evidence. He brought his complaint to this service.

Our investigator didn't recommend the complaint be upheld. He said QIC had instructed an expert report that concluded the fire was caused by the grease build up. And in the absence of any evidence to disprove this, it was fair to decline the claim based on the conditions because of this.

Mr B didn't agree and asked for the complaint to be reviewed by an ombudsman.

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.

QIC has declined M's claim based on two policy conditions. In the endorsements section of the policy, under 'Deep fat frying equipment' the policy states as follows:

'It is a condition precedent to Our liability that...

e) all extraction ducts are cleaned at least once every twelve months by a specialist Contractor;

f) all oil or greasy waste and cloths are kept in metal receptacles with metal lids and removed from the building at the end of each working day and from the Premises at least once a week;'

Therefore it's clear that in order for QIC to accept liability for a claim the conditions laid out in these endorsements must be met.

At this service, when an insurer relies on a policy condition to decline a claim, we'd expect it to demonstrate both that the condition hadn't been met and that the fact it wasn't met was material to the reason for claiming. So I've considered whether QIC has done this here, in order to determine if it's acted fairly by declining M's claim.

In order to assess the claim, QIC sent out a forensic engineer to inspect the fire damage and report on the cause. In their report they concluded that the fire had started at the chargrill and spread to the extraction canopy and ductwork. It stated:

'The extraction canopy was fire damaged throughout, but was more burned in the area to the left hand side above the chargrill. This canopy had contained three removable filters/baffles at the time of the fire, which showed evidence of some greasy residues being present.

The single walled metal extraction duct measured approximately 40cm in diameter. Within the duct there were burned deposits up to approximately 2cm deep in places. It was not possible to confirm over what time period such deposits had accumulated.'

This shows that in the opinion of the expert there was a build up of grease in the extraction duct and this caused the fire to spread.

The condition in the policy requires Mr B to have this part of the fryer cleaned every 12 months by a specialist contractor. And he's been unable to demonstrate this has been done. While I appreciate he took up the premises within 12 months of the incident, under the policy, the onus would still be on Mr B, on behalf of M, to ensure this condition was met. So if the previous occupant was unable to provide proof that this had been done, then it would be for Mr B to ensure the clean was carried out when he acquired the premises.

As Mr B has been unable to provide evidence that the condition has been met, then it's reasonable for QIC to rely on it to decline the claim. And as its expert has concluded that the build up of grease in the extraction duct was the reason why the fire spread, it's shown that not meeting the condition was material for M's need to claim. I am therefore satisfied that QIC acted fairly and reasonably by declining M's claim based on this condition.

While QIC has stated two conditions when declining M's claim, it only reasonably needs to demonstrate one in order to fairly decline the claim. As I'm satisfied it has done this with condition 'e' above, I haven't considered whether it has done enough to show the other condition applied.

Mr B has said that he doesn't think QIC's contractors did a thorough enough inspection of the equipment to be able to fairly conclude what caused the fire. And he's said that he doesn't agree the fire spread to the extraction duct, but instead this was damaged by the fire services.

When assessing a complaint, I'll rely on the opinions and reports of experts that have inspected the damage. As these are completed by experts in the subject matter, with ample experience in inspecting damage cause by similar incidents. Here, the only expert report has been provided by QIC and it concludes that the fire did spread to the extraction duct and that this was because of a build up of grease. While I appreciate Mr B doesn't agree with this

opinion, I've not seen any evidence to persuade me it was incorrect. I'm therefore satisfied QIC has done enough to show the condition relating to the extraction duct was material to the fire spreading.

My final decision

For the reasons I've given, I don't uphold M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 20 November 2023.

Sophie Goodyear
Ombudsman