

## **The complaint**

Mrs K is unhappy Royal & Sun Alliance Insurance Limited (RSA) has declined an insurance claim she made for water damage to a property she owns. Mrs K is also unhappy RSA cancelled insurance cover for another property she owns.

## **What happened**

Mrs K owns two properties which were both previously let out. They were both insured under one landlord commercial insurance policy underwritten by RSA.

In May 2022, when the tenant left, Mrs K decided to sell one of the insured properties. Mrs K put it up for sale and it remained unoccupied whilst awaiting a buyer.

In December 2022 there was an escape of water following a burst pipe in the attic, which caused extensive damage. So, Mrs K contacted RSA to make a claim.

However, RSA declined the claim. This is because they said they were unaware the property was unoccupied, and they referred to the policy terms and conditions which they say outlined the claim wasn't covered.

As Mrs K was unhappy with the claim decision, she asked for the insurance cover for this property to be cancelled and a refund of premiums. RSA agreed to this. However, they should have removed that property from the policy, and left the other property insured, but instead they cancelled the policy completely.

Mrs K noticed the direct debit for the second property hadn't been taken and discovered the policy had been cancelled in error by RSA. Ultimately RSA accepted their error. Mrs K didn't want the policy reinstating, so RSA offered to pay any difference in premiums for the new policy she had, pro-rata for the time that the cancelled policy was due to run for. In addition, they also paid £75 compensation.

Mrs K remained unhappy and approached this service.

One of our investigators looked into the complaint but she didn't uphold it. She thought RSA had fairly declined the claim. And whilst she recognised the whole policy had been cancelled in error, she thought RSA's offer in relation to this was reasonable. So, the investigator didn't recommend RSA do anything further.

Mrs K didn't agree and asked for a final decision from 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.

Having done so, and whilst I appreciate it will come as a disappointment to Mrs K, I've reached the same outcome as our investigator.

As there are two separate complaint points, the claim decision, and the cancellation of cover for Mrs K's other property, I'll consider each separately below.

#### The claim decision

Mrs K had a tenant in her property, and they moved out. So, Mrs K decided to sell the property and put it up for sale. The tenant moved out at the start of May 2022 (before Mrs K's policy renewed at the end of May 2022) and the property was unoccupied from then onwards.

In December 2022 a pipe burst in the attic causing extensive water damage, so Mrs K contacted RSA to make a claim.

Mrs K made RSA aware the property was unoccupied and had been for some time as it was up for sale. RSA declined the claim as Mrs K hadn't made them aware the property was unoccupied, and the policy didn't cover damage caused when the property was unoccupied, when RSA hadn't been made aware of this.

Mrs K says she wasn't made aware that she needed to tell RSA it was unoccupied, and if she had been, she would have told them.

However, Mrs K's renewal scheduled outlined:

*"These details are a record of the information provided to us and of the assumptions we have made about you and will form part of the Policy terms and conditions. Your Policy Wording, Schedule and Employers Liability certificate (if applicable) are evidence of your insurance contract. Please check they are correct and call us without undue delay on (number) if you need to change anything or if you require a new Policy Wording."*

And:

#### ***"Important Notes***

*You must answer our questions to the best of your knowledge and belief. If any of these details are incorrect or change you must tell us without undue delay. Not doing so may invalidate the insurance or result in claims being rejected or reduced. We may reassess your cover, terms and premiums when we are told about changes in your circumstances. You can call us on (number) to tell us about any further changes or if any part of this Schedule/Statement of Fact is not correct."*

And:

*“The information shown in this document is a record of the information you have provided to us. We have used it to assess your eligibility for this insurance and also to determine your premium and the terms and conditions that will apply. You should tell us if any of the information in this document is incorrect or changes. Not doing so may invalidate this insurance or result in claims being rejected or reduced.”*

And the renewal documents also confirmed about the property in question:

*“(Address)*

*The residential part of the buildings are occupied by a private individual(s) under an assured shorthold tenancy for a period of not less than 6 months.”*

However, at the point the policy renewed in 2022, the tenant had already vacated so this wasn't correct. But Mrs K didn't advise RSA of this, despite the documents explaining RSA needed to be made aware if any details were incorrect.

Within the policy terms and conditions, this defines unoccupied as:

*“Unoccupied*

*Unoccupied or empty or disused or unfurnished or untenanted or no longer in active use”*

The terms and conditions also explain:

*“It is a requirement of this Insurance under Property Damage Insurance that from the date that You become aware that any Building or portion thereof becomes Unoccupied for any continuous period exceeding 45 consecutive days that:*

*A) You must tell Us immediately*

*...*

*C) All water supplies including any heating system be kept drained unless required to operate a sprinkler system approved by Us, in which case heating should be kept at no less than 4 degrees Celsius between 1 October and 30 April inclusive’*

*....*

*Failure to comply with any of these requirements will result in Us not paying Your Property Damage claim.”*

But Mrs K didn't comply with this or contact RSA to make them aware at the renewal, once 45 days had elapsed, or any point after.

The policy terms also outline escape of water from any appliance, tank or pipe is covered more generally, but it also has the following specific exclusion for this section of the policy:

*“What is not covered*

*Damage where any Building or parts therefore have been Unoccupied for more than 45 days.”*

Having considered all the information provided, I'm satisfied all the documents were clear in explaining Mrs K needed to contact RSA if any of the details were incorrect and if the property was unoccupied, but she didn't do so. And the policy terms are also clear that damage caused as a result of an escape of water when the property is unoccupied is excluded.

With this in mind, I don't think RSA has acted unreasonably by declining Mrs K's escape of water claim.

#### The policy cancellation

Mrs K's landlord's commercial property insurance covered two properties under the one policy. After the claim was declined, Mrs K asked RSA to cancel the cover for the damaged unoccupied property. RSA agreed, and also agreed to refund the premiums Mrs K had been charged for the unoccupied property.

However, in error, RSA cancelled the whole policy. This means the other property was uninsured from that point.

Mrs K didn't discover this until she noticed a direct debit hadn't been taken around six weeks later. As she was unable to contact RSA as it was the weekend, and she was concerned about the lack of cover, she purchased another insurance policy elsewhere.

RSA accept they made an error here by cancelling the policy, rather than removing one property from the cover. They offered to reinstate the cover, but this was no longer required by Mrs K as she already had a policy elsewhere. So instead, RSA said that it would cover any difference in the cost for the other policy, pro-rata, up to the point the cancelled policy should have run to at renewal – around four months. And additionally, RSA paid £75 compensation.

I do recognise it would have been distressing for Mrs K to discover one of her properties was uninsured. But fortunately, nothing happened to the property during this time. And when Mrs K became aware, she arranged cover elsewhere, so at that point she knew her property was no longer at risk, and nothing had happened to it. It wouldn't be fair or reasonable for me to recommend compensation be paid on the basis something disastrous could've happened to the uninsured property but didn't. But I do recognise it would have been distressing to find this out at the time.

However, I think the £75 compensation RSA paid, along with the offer to cover the difference of the new policy, is fair and reasonable in all the circumstances, so I'm not directing RSA to do anything further.

**My final decision**

It's my final decision that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 28 August 2023.

Callum Milne  
**Ombudsman**