

The complaint

S, a limited company, complains that Heath Crawford Limited mis-sold an insurance policy for their house in multiple occupation (HMO) property.

What happened

S made a claim under their legal expenses insurance policy for rent arrears when one of their tenants vacated the property without paying. Their claim was declined on the basis that the policy doesn't cover unpaid rent.

S raised a complaint to Heath Crawford as they believed the policy was mis-sold, but Heath Crawford said the policy covers everything S had specifically requested.

As S remained unhappy, they bought the complaint to our service raising the following concerns:

- They asked for a HMO policy but the insurance cover in place says it can only be utilised for owner occupied properties.
- The legal expenses insurance section contains exclusions which are set out at the end of the document, so it wasn't clear that there's no cover for pursuing tenants in court. This cover is usually included as standard.
- Their complaint wasn't investigated properly, and the final response letter didn't answer their concerns.

Our Investigator didn't uphold the complaint. She was satisfied the policy covers HMO properties, and that the cover required for S' claim wasn't requested nor was it available. As S didn't agree, the complaint was passed to me and I issued the following provisional decision.

My provisional decision

Is the policy HMO suitable?

S complains that the policy sold to them only covers claims where they're the owner occupier, but I don't agree and I'll explain why.

I've reviewed the policy as a whole and it's clear it covers properties that are tenanted. I say this because the policy terms, in addition to providing buildings and contents cover, specifically states there's cover for loss of rent arising from an insured peril. And there is a section of cover entitled "Eviction Proceedings" which covers the legal costs to evict a tenant and gain vacant possession of the property. This demonstrates that claims can be made where the property is not occupied by the owner and policyholder.

S refers specifically to section 3 of the legal expenses insurance which states:

“Property

What is covered

The pursuit or defence of Legal Proceedings relating to Your rights as the owner or occupier of Property physically occupied by You.”

S says this cover is limited to owner occupied properties but again, I don't agree. The policy says “owner **or** occupier” (my emphasis) not that S need to be both, so there's potentially cover available under this section. I understand S' claim was declined due to an exclusion under this section, not because they didn't satisfy the term quoted above.

As such, I can't agree with S that the policy only provides cover for owner occupied properties and I've seen no evidence to suggest it's unsuitable for HMO properties.

Were the policy exclusions unclear?

S complains that the exclusions for the legal expenses section of the policy were at the end of the document, so it was unclear that S wasn't covered to take tenants to court for unpaid rent.

I've been provided with a copy of the policy summary document which is 13 pages long and sets out the key features and the significant exclusions and limitations for each section of cover. The sections are set out in order of how they appear in the policy, with the legal expenses section starting on page 10.

Within the table, under the first column entitled key features, the heads of cover are listed along with a brief description. “Eviction Proceedings” is listed as a head of cover with a description stating *“pursuit of eviction proceedings against a tenant or guarantor to recover possession of premises occupied solely for residential purposes where the tenant fails to comply with the tenancy agreement”*.

It's clear that this head of cover doesn't include pursuing the tenants for unpaid rent. And it's clear that type of claim wouldn't fall under any of the other heads of cover based on the descriptions provided. So I'm satisfied that from the snapshot of cover provided by this document, S would've seen they weren't covered for rent protection or rent guarantee.

I've also been provided with the full policy terms and conditions which is 71 pages. The legal expenses section starts on page 52 and each head of cover is set out separately, clearly stating what is and isn't covered. So I can't agree the exclusions are at the end of the policy and are unclear. I appreciate it's a long document, but it's a comprehensive policy with many sections of cover and the contents page would've assisted S in navigating to the right page.

I appreciate S feels the policy was mis-sold as it didn't benefit from rent protection and/or rent guarantee. But as our Investigator has explained, we've reviewed the correspondence between S and Heath Crawford – as well as listening to the call recording between them – and we haven't been able to identify that S asked for this cover. Heath Crawford says rent guarantee isn't available for HMO properties which is why it wasn't offered, and S hasn't provided evidence to the contrary to show this cover is available on the market and that they asked for it. So I'm not persuaded the policy was mis-sold.

Did Heath Crawford answer S' complaint?

Looking at Heath Crawford's final response letter, I'm satisfied it addressed S' complaint. It explained that the policy was provided in line with S' requirements. It said a number of areas of cover were discussed, and that rent guarantee cover, which would potentially cover this type of claim, isn't available for HMO properties so it wasn't offered or discussed.

It's not clear which specific point S feels hasn't been addressed, and I appreciate Heath Crawford may not have gone into the level of detail S may have liked. But S is complaining that the policy doesn't cover HMO properties and he's been told many times that it does, so I'm satisfied the crux of their complaint has been addressed.

Responses to my provisional decision

Neither S nor Heath Crawford made any further submissions.

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.

As neither party had any further submissions for my consideration, I see no reason to deviate from the outcome explained in my provisional decision.

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 S to accept or reject my decision before 4 September 2023.

Sheryl Sibley
Ombudsman