

## **The complaint**

Mr H and Miss W are unhappy with Lloyds Bank General Insurance Limited's (Lloyds) handling and settlement of a claim made under their home insurance policy.

## **What happened**

Mr H and Miss W's water supplier wrote to them to advise that based on the water usage, they may have a leak on their underground water supply pipe. Mr H and Miss W have a home insurance policy underwritten by Lloyds. So, they contacted Lloyds to make them aware of this, and to check what cover they might have, should it turn out that the leak was their responsibility to fix.

The water company subsequently confirmed it was Mr H and Miss W's responsibility to repair the leak and gave them a deadline to do so. Mr H and Miss W contacted Lloyds when they had their own contractor on site, and Lloyds asked for a cause of damage report and quotation for repair.

Once received, this was referred to Lloyds' drain experts. In the interim, due to the deadline for the repair required by the water supplier, Mr H and Miss W arranged for their contractor to carry out the repair works. So, they asked Lloyds to cover the costs they incurred.

However, Lloyds only agreed to pay what they said it would have cost them to carry out the repairs, which was less than Mr H and Miss W paid their contractor. This is because Lloyds said Mr H and Miss W went ahead before the claim was accepted and before they were able to carry out an inspection or validate the claim.

Mr H and Miss W were unhappy with the settlement and service they received so they complained to Lloyds.

Lloyds issued several complaint responses. Ultimately, they maintained the settlement was correct. But they accepted Mr H and Miss W weren't specifically told they could accept the settlement whilst disputing it, so they paid £75 compensation for this. They also added 8% simple interest to the settlement amount.

As Mr H and Miss W remained unhappy, they approached this service.

The case was initially reviewed by an investigator before it was reallocated to another investigator who considered things again. Ultimately, he didn't uphold the complaint.

This is because the investigator said Mr H and Miss W had prejudiced Lloyds' position by completing repairs without the claim being validated or accepted and Lloyds didn't have an opportunity to inspect or carry out repairs. So, he said it wouldn't be fair for Lloyds to pay more than it would have cost them for repairs when they were denied that opportunity. He also thought the compensation and interest was fair, so he didn't recommend this be increased.

Mr H and Miss W 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.

Whilst I appreciate it'll come as a disappointment to Mr H and Miss W, I've reached the same overall outcome as our investigator.

I'll also explain that I don't intend on commenting on every event or communication that occurred. I don't mean this as a discourtesy to either party, instead this reflects the informal nature of this service and my role within it. Instead, I'll focus on the points I consider key in reaching a final decision which is fair and reasonable in all the circumstances. But I'd like to reassure both parties that I've considered all the information they've provided when reaching my final decision.

I've listened to the calls between Lloyds and Mr H and Miss W. I won't repeat them in full detail here as both parties were party to them so are already aware of the discussions. But in summary, Mr H and Miss W initially called Lloyds to make them aware that their water supplier had notified them of a potential leak on their supply pipe, which they might be responsible for repairing. Mr H and Miss W asked about potential insurance cover for this, and Lloyds explained this, along with the process of their supplier needing to investigate and collect the excess if the claim was accepted. Mr H and Miss W said they'd be in contact once they knew if the repair was their responsibility.

Following the water supplier confirming it was their responsibility, Mr H and Miss W contacted Lloyds again to proceed with a claim.

During the following calls, Lloyds confirmed multiple times that they wouldn't be able to validate the claim or confirm their liability limit via the calls. They offered several times to arrange for their own experts to attend to investigate in order to do this, which Mr H and Miss W had been told was the process in their initial enquiry. But Mr H and Miss W didn't want this to happen in order to reduce the inconvenience to them, to move things forward more quickly and because they already had a builder who was prepared to complete the works. Lloyds explained that they would still require a written cause of damage report and quote for repairs before they could confirm if the claim would be covered or their limit of liability.

Ultimately Mr H and Miss W's builder, following emails with them and Lloyds, confirmed the cause of damage (albeit in very limited detail), and a breakdown of the works including labour. Once received, this was then sent to Lloyds' drain experts to consider further. In none of the calls I listened to did Lloyds confirm their liability or that this quote would be fully covered.

However, shortly after these calls, Mr H and Miss W then went ahead with the repairs using their own contractor. Mr H and Miss W say they needed to do this due to the time pressure put on them by the water supplier. They also say that Lloyds wasn't able to send anyone soon enough or confirm when they could visit.

Whilst I appreciate Mr H and Miss W wanted to resolve things quickly, in one of the calls with Lloyds when they explained the deadline, Lloyds said they could inform the water company that the leak was being investigated. And I've not seen evidence to support that Lloyds was unable to send someone or provide a timescale to visit, in fact they mentioned several times they could appoint their experts to investigate, and the experts would then arrange a time directly with Mr H and Miss W. But when the experts tried to arrange this, Mr H and Miss W had already gone ahead with repairs, which was before the claim was accepted or validated. Therefore, I don't think Lloyds were given an opportunity to validate, inspect or repair the damage before Mr H and Miss W had the repairs completed.

On review of the quote for repairs from Mr H and Miss W's contractor, Lloyds' drainage experts say that if they had attended, they would have been able to use specialist leak detection equipment to find the leak and then spot repair it. But they weren't given the opportunity to do so. Instead, Mr H and Miss W's contractor excavated the driveway and replaced the pipe, which was significantly more work than Lloyds' experts say would have been required. I do recognise that Mr H and Miss W dispute that Lloyds could have sourced and repaired the leak in that way based on what their contractor told them, but to an extent that method of finding and repairing is now irrelevant as that hasn't impacted on the settlement amount. I'll explain why.

Lloyds validated the claim from a desktop assessment as repairs had already been carried out, so they were unable to inspect the damage or repair it themselves. And whilst they say what they would have done had they been able to inspect (detect and spot repair), they had been given limited information on the cause of damage or condition of the pipe and whether it was suffering issues which wouldn't actually have been covered. But rather than decline the claim, or limit settlement to the spot repair, they gave the benefit of doubt, and instead based the settlement scope on the like for like works that Mr H and Miss W's contractor quoted for. So, whilst Lloyds weren't able to validate or confirm liability on the claim due to works already being carried out, they've still given the benefit of the doubt and settled like for like for the same works quoted for.

However, Mr H and Miss W paid their contractor £3,840 for repair works. Whereas Lloyds say that if they'd had the opportunity to carry out those same works, the cost to them would have been £1,405.76 (including VAT and net of the £200 policy excess) so this is what they offered. I'm satisfied that Lloyds' settlement offer is based on those same works carried out by Mr H and Miss W's contractor that was included in the quote they paid.

As Lloyds weren't given an opportunity to inspect or carry out works as Mr H and Miss W went ahead with their own contractor, I think they have prejudiced Lloyds' position by doing so. But as Lloyds has agreed to pay what it would have cost them to do the same works, I think that is fair and reasonable in all the circumstances, and it's also in line with the terms of the policy which say:

*"Where we use suppliers, we might get discounts. We will use their cost to us when settling claims.*

*What we mean is, we won't pay more than it would cost us to repair, replace an item or rebuild any part of your home."*

I don't think it would be fair or reasonable to direct Lloyds to pay more than it would have cost them when they weren't given an opportunity to inspect, validate the claim or carry out the repairs. So, whilst I recognise it will come as a disappointment to Mr H and Miss W, I won't be directing Lloyds to pay Mr H and Miss W's contractor's full invoice.

I understand Mr H and Ms W are also unhappy they weren't told specifically that they could accept the settlement offer and continue to dispute the settlement after acceptance. This is because they borrowed the money to pay the builder so they say they could potentially have borrowed less and incurred less interest. Lloyds has acknowledged they didn't specifically say it could be accepted whilst being disputed and paid £75 compensation for this. They have also added 8% interest to the claim settlement amount for this too. I think that's reasonable in the circumstances, so I won't be directing Lloyds to increase this amount.

### **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 Mr H and Miss W to accept or reject my decision before 1 February 2024.

Callum Milne  
**Ombudsman**