

The complaint

Mr P's complaint is about Liverpool Victoria Insurance Company Limited's settlement of a claim made under his home buildings insurance policy.

What happened

In February 2022, Mr P contacted Liverpool Victoria to make a claim as his basement kitchen was flooded with foul water. Liverpool Victoria accepted the claim and appointed a loss adjuster to assess the damage. It also arranged cleaning and drying out of the property. The kitchen was unusable. Alternative accommodation was discussed but nothing suitable for Mr P and his family could be found, so they stayed in the property with a temporary 'kitchen pod' to use. I understand Liverpool Victoria paid Mr P a disturbance allowance.

Liverpool Victoria arranged for one of its contractors to assess the restoration works required and they produced a schedule of works. There was some discussion about the work that would be covered. Liverpool Victoria said there was no cover for the kitchen wall units that were not damaged by the flood but as they would not match the rest of the replacement kitchen, it agreed to pay 50% of the cost of the undamaged units and Mr P would have to pay the rest.

Mr P was not happy that the contractor asked him to pay his contribution to the kitchen units up front and with the contractor's reviews. Mr P also says they told him they would not be able to replace the kitchen until October 2022. Mr P says he thought it would take too long if Liverpool Victoria managed the repairs itself, so he asked for a cash payment instead and arranged the work himself.

Liverpool Victoria asked Mr P if he wanted to provide a quote from his contractor but he declined. Liverpool Victoria's contractors had assessed the works would cost £13,496.53 plus £2,000 contribution from Mr P towards the matching units (so £15,496.53 in total). Liverpool Victoria therefore offered Mr P a cash settlement for the buildings element of the claim of £13,486.53 and Mr P accepted this in August 2022. Liverpool Victoria also said it would pay VAT on this, if Mr P provided evidence he paid VAT to his contractors.

Mr P had the work done. It started in June 2022 but most of the work was done through September and was completed on 1 October 2022. Mr P says the damage was worse than expected, once the work started and he had to pay an additional £5,388 for his contractor to complete the work. Mr P says he had to borrow from relatives to cover this and asked Liverpool Victoria to reimburse this additional cost.

Liverpool Victoria agreed to assess the claim for further repairs. The loss adjuster attended the property in November 2022 to discuss the extra work. The loss adjuster also asked Mr P's contractor for further information about this work. Liverpool Victoria agreed that there was some further insured damage and work required that was not in the original scope of works. It agreed to pay for replastering, decorating and electrical work to an area of wall which was damaged when the worktop was removed and work involved in removing and refitting a window (required to allow delivery of materials). Mr P's contractor confirmed this

cost £1,400-£1,600. Liverpool Victoria offered £1,500 for this work, as well as £200 for new stair carpet and £500 for a gas fire. It therefore made a total additional payment of £2,200 in November 2022. Liverpool Victoria did not agree to pay any of the remaining £3,188, which it said was for work unrelated to the claim.

Mr P remained unhappy with this and brought his complaint to this service. Mr P has made a number of points in support of his complaint. I have considered everything he has said but have summarised the main points below:

- Liverpool Victoria suggested a company to replace the kitchen that did not have a good reviews and as he and his family had been without a kitchen for around five months, he decided on a cash settlement.
- The cash settlement was based on an estimate of the work needed. The damage was much more extensive once his contractor started and estimates are always subject to change.
- Liverpool Victoria's loss adjuster only inspected the property once in February 2022 and so did not see the extent of the damage that was found to the walls, plasterboard flooring and skirtings.
- Liverpool Victoria's contractor wanted payment of at least £1,300 in May 2022 for his contribution and they would not start work until they'd had payment.
- They had a kitchen pod from March to September 2022 but it had to be removed, so the repairs could be done.
- If Liverpool Victoria had paid for alternative accommodation as required under the policy it would have been far more than the amount they are asking for.

One of our Investigators looked into the matter. He did not recommend that the complaint be upheld as he was satisfied that Liverpool Victoria had settled the claim in accordance with the policy terms.

Mr P did not accept the Investigator's assessment, so the matter has been passed to me.

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.

Mr P's policy covers loss as a result of escape of water such as happened here. It also says:

"How we settle claims – Buildings..."

If the loss or damage to the buildings is covered by this insurance we may:

- *arrange for repair or replacement using one of our suppliers; or*
- *pay the cost of repair; or*
- *make a cash payment...*

Cash payments

If we can offer a repair or replacement through one of our suppliers and you choose not to have the item repaired or replaced or you wish to use your own supplier, we will not pay more than the amount we would have paid our supplier".

Mr P has said he could not wait for Liverpool Victoria's contractor to do the work as they had said they couldn't fit the new kitchen until October 2022. However I note his contractor did most of the work in September 2022, completing it on 1 October 2022. I do not therefore think there was any unnecessary delay in the claim process that would mean it would be reasonable to require Liverpool Victoria to disregard the policy terms.

Mr P was also unhappy with the contractor's reviews but I have not seen any convincing evidence that they were an unreasonable proposal from Liverpool Victoria and it would have been managing the claim in any event. The contractors also asked Mr P for payment of his contribution but I do not think this was inherently unreasonable.

Liverpool Victoria was able to arrange the repair works and so given the above terms I think it is fair that the cash settlement was based on the amount that it would have cost it to do the repairs. I note it also asked Mr P if he wanted to get his own quote for the works before settling the claim but he declined. I do not therefore think that Liverpool Victoria acted unreasonably.

When Mr P told Liverpool Victoria that some additional work to repair the insured damage was required, it reattended the property and sought further information. Mr P's contractor confirmed the additional work and how much that had cost. I am satisfied that Liverpool Victoria's agreement to pay the mid-point of the amounts he stated was reasonable. The contractor did not specify any other works that were required that had not been in the original scope.

Mr P has said there was more damage found than had been apparent before work started and that Liverpool Victoria's loss adjuster had only attended once before the cash payment and so could not have known the full extent of the damage. However, the scope of works was provided by its contractors that attended the property and there is no convincing evidence of any other additional work required, other than the works that Liverpool Victoria agreed to pay for in November 2022. As stated Mr P's contractor did not identify any other matters not included in the original scope when asked by Liverpool Victoria. Mr P's contractor may have charged slightly more for some of the work but that is a different matter. Liverpool Victoria is only required to pay what it would have paid its own contractor to do the work.

Despite my sympathy for his position, I do not therefore consider that I can reasonably require Liverpool Victoria to make any further payment to Mr P.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 11 January 2024.

Harriet McCarthy
Ombudsman