

The complaint

Mr S and Mrs S complain about how Accredited Insurance (Europe) Ltd (Accredited) handled a claim under their home insurance policy for damage to their property from a fire.

References to Accredited include their agents who administer the policy and assess claims.

What happened

In December 2022 there was a fire in the garage at Mr S and Mrs S's property. The fire service attended and put out the fire, caused by an electrical fault in the garage door motor. Mr S and Mrs S contacted Accredited to tell them about the damage. They also engaged a loss assessor (A) to act on their behalf for the claim.

A provided a schedule of repair work in February 2023 totalling £49,875 (£41,562 plus £8,313 VAT) including repair work to the garage and adjoining parts of the property. A subsequently drew up a separate schedule of garage contents damaged in the fire (totalling £10,080) in April 2023.

Mr S and Mrs S completed notification of the claim in March 2023, when Accredited appointed a surveyor (T) who visited the property at the end of March and prepared their own scope of works to repair the damage and reinstate the property (June 2023).

Accredited said they considered the garage to be an outbuilding, being detached from the property, which meant the policy limit of liability for the garage contents was £2,500 – not the £10,080 from the schedule prepared by A.

Mr S and Mrs S were unhappy at the lack of progress with their claim and complained to Accredited at the end of May 2023. They had been unable to use the garage and it wasn't secure as the fire service had to break down access doors to tackle the fire. Accredited hadn't assessed the contents list nor reimbursed them for emergency electrical and gas safety check to the boiler following the fire. Nor did they have access to their shower due to the temporary electrical work.

Accredited issued a final response to the complaint in August 2023. They set out events from the date of the fire, notification of the claim and subsequent discussions about the scope of work. Accredited didn't think they were responsible for delays in assessing the claim. On not being able to use the garage because of the fire, Accredited said this was a consequence of the fire and the policy didn't cover the loss of use of facilities, with a *General Exclusion* for consequential losses as a result of a claim.

On the question of whether the garage was attached to the property, Accredited said for a garage to be considered attached, there would need to be direct access from the main property, which they didn't think was the case. So, they considered the garage to be an outbuilding, and the limit on contents cover would be £2,500. On reimbursement of emergency electrical and gas safety check costs, Accredited apologised for not assessing them and said they would be paid as soon as possible. On lack of access to the shower, Accredited said this wouldn't be covered as it was excluded by the same consequential loss section of the policy, and Mr S and Mrs S could still access the bath.

Accredited said they'd made their settlement offer to A (which they weren't accepting) and wouldn't be changing it. They would either make settlement up to their limit of liability or have their approved contractors carry out the work.

Mr S and Mrs S then complained to this Service. They disagreed with Accredited about the value of the garage contents, saying the amount was £10,080 – compared to the limit for the garage as an outbuilding (£2,500). They'd been unable to use their garage and it had been insecure since the incident. They also didn't have showering facilities due to the limited temporary electrical connection, so they'd had to take baths, at additional cost and inconvenience. The garage contents were destroyed, and they'd had to buy replacement tools and other equipment. They wanted Accredited to settle the contents claim on the basis of their view the garage was attached to the main property, not an outbuilding.

They also didn't think the scope of work prepared by T didn't include all the work necessary to repair the damage and return their property to its condition before the fire. The value of the scope of work was also significantly less than that from A. They wanted Accredited to settle the claim based on the value of work in A's scope (£41,562 plus VAT) and the schedule of contents they'd prepared for the garage (£10,080).

Our investigator upheld the complaint, concluding Accredited hadn't acted fairly. On the issue of the garage contents, she thought the garage was attached to the main property under the policy definitions. While Accredited said there had to be direct access to the garage, it wasn't clear from where the access was necessary, nor did the policy definition refer to access. So, she thought Accredited hadn't acted fairly in limiting the garage contents claim to the policy limit for outbuildings. This also caused distress and inconvenience to Mr S and Mrs S. To put things right, Accredited should reconsider the contents claim under contents cover for the main building and pay £350 for distress and inconvenience.

On the time taken to assess the claim and the cash settlement from Accredited, she noted Accredited had drawn up a scope of work following T's inspection and a cash settlement based on the scope in June 2023. Complex claims could take time to assess, and she didn't think Accredited caused avoidable delay. Accredited offered the option of one of their approved contractors to carry out the work to reinstate the property to its condition before the fire. In these circumstances, the policy allowed for a cash settlement to be based on what would have been the cost to Accredited of using their own contractors. So, she wouldn't be asking Accredited to increase their cash settlement offer.

On delays in payment of the cost of emergency electrical and gas safety checks, she noted the invoices were provided in April 2023, but not agreed to be reimbursed until the final response. She thought Accredited should have reimbursed the invoice sooner, so Accredited should pay £50 compensation (plus interest).

On the lack of showering facilities, the emergency electrical work meant limited use of power outlets and inability to use the shower. While she appreciated the impact on Mr S and Mrs S, it was a direct consequence of the fire damage, not to Accredited's actions. The policy terms didn't provide cover for disturbance cause by an insured event, so she wouldn't be asking Accredited to take any further action.

Mr S and Mrs S accepted the investigator's view but Accredited disagreed with the investigator's conclusions and asked an ombudsman review the complaint.

They said Mr S and Mrs S only declared rooms in the main property when the policy was taken out. But when Accredited applied the £2,500 limit on outbuilding contents, Mr S and Mrs S said they considered the garage to be part of the main property. They also noted

photographs showing a doorway had been put between the gap between the main property and the garage and the roof between the two was polycarbonate. This was an adaptation but didn't automatically mean the garage was 'attached' to the main property. The two external walls facing each other between the main property and the garage didn't indicate any insulation or internal finishes, nor heating in the passageway. So, they didn't agree the passageway was an internal part of the main property – they considered it a 'lean-to' and so the garage was a separate outbuilding.

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.

My role here is to decide whether Accredited have acted fairly towards Mr S and Mrs S.

Looking at Mr S and Mrs S's complaint, the main issue where there is disagreement between them and Accredited is whether the contents of the garage are contents of the main property (so within the relevant terms and conditions of the contents section) or contents of an outbuilding, subject to a lower limit (£2,500). In turn, this issue revolves around whether the garage should be considered an outbuilding or attached to the main property.

While this is the main issue, I've also considered the other issues in the complaint, though neither Mr S and Mrs S or Accredited have challenged the investigator view on these issues. These are, firstly, the time taken to assess the claim and linked to this, the cash settlement offered by Accredited. Secondly, reimbursement of the costs of the emergency electrical and gas safety check. Thirdly, loss of use of the shower (and limited power sockets).

Starting with the main issue, the garage contents claim, I've looked at the policy definitions. These are as follows:

"Home

The main building which you live in, garages which are part of or attached to the main building, and outbuildings all within the boundaries of the address shown on your schedule.

Outbuildings

Detached garages, sheds, greenhouses, summer houses and other permanent structures set apart from the main building which you live in and which are used for domestic or business administration purposes."

Looking at the definitions, together with the evidence, information and arguments advanced by Mr S and Mrs S and Accredited, the key is whether the garage is 'attached' [to the main building] as set out in the first definition, or whether it is 'detached' as set out in the second. Looking at the photographs of the property, together with the floor plan it seems as originally constructed, the garage was separated from the main property by an alleyway. So, the garage at that time would reasonably be considered detached.

At some point – before Mr S and Mrs S bought the property – a utility room and cloakroom were added between the rear of the garage and the main property. Part of the utility room seems to have been taken from the original garage. It also appears the remainder of the alleyway, from the front of the garage and adjacent main property back to the utility room, was enclosed by a door at the front and a polycarbonate roof. As Accredited observed in

their response, this covered passageway wasn't further developed by the addition of internal wall coverings, insulation, or flooring of the kind I'd expect to see within a main property.

However, the floor plan shows that the utility room and cloakroom includes external walls (at the rear) and fitted out internally. In my view, while the covered passageway wouldn't mean the garage is 'attached' to the main property, I think it reasonable to say the utility room and cloakroom attach to both the garage and main property. So, I think it reasonable to conclude, given the policy definitions, the garage is 'attached' to the main property by the addition of the utility room and cloakroom.

Another point advanced by Accredited is to be attached, a garage should have access from the main property. Looking at the floor plan, access to the garage is via a side door from the passageway - there doesn't appear to be access from the utility room. However, the policy definitions don't include any mention of access, including access from the main property. So, I don't think this is a relevant factor.

Another point raised by Accredited in their response is Mr S and Mrs S, when they took out the policy in 2022, didn't declare the utility room and cloakroom when answering questions about the composition of the property. Accredited say this indicates Mr S and Mrs S didn't consider them to be part of the main property – only doing so when making their claim. The implication is Mr S and Mrs S may have answered the questions incorrectly – and thereby may have made a misrepresentation.

But this isn't what Accredited sought to rely on in their position the garage is detached and therefore an outbuilding for the purposes of applying a £2,500 limit on the contents. Nor is any potential misrepresentation the basis for this position in their final response. And it wouldn't affect my conclusion it's reasonable to conclude the garage is, given the policy definitions, attached to the main property.

Having reached this conclusion, it follows Accredited haven't acted fairly and reasonably in applying the £2,500 policy limit for outbuilding contents to Mr S and Mrs S's claim for the contents of the garage. It isn't the role of this Service to assess claims, so to put things right, Accredited should assess the garage contents claim in line with the remaining terms and conditions of the policy. That is, under the main contents section of the policy, including any applicable policy limits or excess. Having acted unfairly, I've also concluded this would have caused distress and inconvenience to Mr S and Mrs S.

I've considered the other issues in the complaint.

On the time taken to assess the claim and linked to this, I've looked at the timeline of events. Accredited recorded the claim in March 2023 and T inspected the property at the end of the month. The scope of work I've seen is dated June 2023. At the same time, Accredited made a cash settlement offer for the repair and reinstatement work of £17,153 (plus VAT of £3,430) and cost of clearing and disposing of debris (£1,560). The settlement also included £2,500 for the garage contents. Further exchanges took place between Accredited and A about the scope of work, leading to an increase in the settlement offer to a total of £28,073 plus VAT.

On the time taken to assess the claim and make a settlement offer, Accredited point to the impact of a significant influx of claims following a 'freeze event' affecting the country in December 2022 and January 2023. This meant significant pressure on their teams during the period and in the following months, particularly their building surveyor teams.

While I accept this was a factor, it still took nearly three months from T's inspection for Accredited to provide a scope of works to Mr S and Mrs S, which was then subject to further

exchanges about the scope and the associated cash settlement offer. And from exchanges I've seen, Mr S and Mrs S had to chase several times over the period for updates on progress. So, I've concluded there was some delay in assessing the claim and producing a scope of works and cash settlement, which in turn would have meant distress and inconvenience to Mr S and Mrs S.

On the scope of work and the associated cash settlement, I can see there were discussions between Accredited and Mr S and Mrs S (between T and A) over the scope. Given the extent of the damage, I think it always likely there would be a degree of discussion over the scope. So, I don't think Accredited acted unfairly or unreasonably in this respect.

On the cash settlement figure itself, as I've mentioned previously, it isn't the role of this Service to assess claims, including what cash settlement figure should be offered. The policy terms and conditions provide for a cash settlement to be offered, Under the section heading *Settling claims under buildings covers* the policy states:

"When settling your claim, if we decide that we can offer rebuilding work, repairs or replacements, we will ask you to choose one of the following options.

- a. We will choose a contractor (our preferred contractor) and instruct them to carry out the rebuilding work, repairs or replacements.*
- b. We will pay you a cash settlement for the same amount it would have cost us to use our preferred contractor."*

Accredited indicated they would be prepared to use their own contractors to carry out the repair work, so in making a cash settlement offer they were entitled to base it on what it would have cost their contractor to carry out the scope of works. Given insurers are typically able to negotiate discounted rates from approved contractors due to the volume of work they commission, it's likely they can obtain better rates than those an individual consumer (Mr S and Mrs S in this case) is able to secure from a contractor.

Taking all these points into account, I can't conclude Accredited have acted unfairly or unreasonably towards Mr S and Mrs S in making their [revised] cash settlement offer.

On reimbursement of the costs of the emergency electrical and gas repair work, boiler check, Mr S and Mrs S provided copies of the invoices for the work in April 2023, totalling £605.45. However, Accredited didn't agree to reimburse them until their final response in August 2023, some four months later. Accredited apologised for the delay. Given this, I've concluded the invoices should have been reimbursed much sooner than they were. To put things right, Accredited should also pay interest, at a rate of 8% simple, from the date the invoices were provided to the date they reimbursed Mr S and Mrs S. They should also pay £50 for the inconvenience this caused to Mr S and Mrs S.

On loss of use of the shower (and limited availability of power sockets), I've looked at what the policy provides for, given Accredited's view in their final response. Under the *General Exclusions* section of the policy there is the following:

"Consequential loss

Consequential loss as a result of any claim under this policy"

The policy document defines *Consequential loss* in similar terms:

"Any loss, damage or expense which happens indirectly as a result of, or is a side effect from, the event which led to your claim."

Loss of use of the shower was the result of temporary electrical work carried out in the aftermath of the fire (the main electrical board was damaged in the fire). While I appreciate Mr S and Mrs S had to use the bath rather than the shower, loss of use of the shower would reasonably be considered a consequential (non-monetary) loss from the fire and the temporary electrical work. So, the policy doesn't provide cover for this. The same conclusion would also apply to the loss of use of the garage, as it was a direct consequence of the fire.

So, given this conclusion, I won't be asking Accredited to take any action on this issue

Having concluded Mr S and Mrs S suffered distress and inconvenience from some delay in assessing their claim and producing a scope of works, and from unfairly considering the garage contents to be subject to a lower policy limit, I've considered what Accredited should do to put things right. Considering the circumstances of the case and the published guidelines from this Service on awards for distress and inconvenience, I think £350 for distress and inconvenience (making a total of £400) would be fair and reasonable.

My final decision

For the reasons set out above, it's my final decision to uphold Mr S and Mrs S's complaint. I require Accredited Insurance (Europe) Ltd to:

- assess the garage contents claim in line with the remaining terms and conditions of the policy. That is, under the main contents section of the policy, including any applicable policy limits or excess.
- Pay interest, at a rate of 8% simple, from the date the invoices for emergency electrical work and boiler check were provided by Mr S and Mrs S to the date they reimbursed Mr S and Mrs S.
- Pay a total of £400 compensation for distress and inconvenience.

Accredited Insurance (Europe) Ltd must pay the compensation within 28 days of the date on which we tell them Mr S and Mrs S accept my final decision. If they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mrs S to accept or reject my decision before 4 June 2024.

Paul King
Ombudsman