

The complaint

Ms B is unhappy with the amount QIC Europe Limited offered to settle her claim for water damage.

What happened

Ms B had buildings and contents insurance underwritten by QIC. On finding water damage in her kitchen, identified as being a leak from the under-floor mains, she claimed under the policy. QIC appointed a loss adjuster, who said the sub-floor was incorrectly constructed and the kitchen units were damaged gradually through normal wear and tear and/or poor extraction from the room.

QIC said its contractors wouldn't carry out work over the existing sub-floor, so QIC offered a cash settlement for the replacement flooring. It declined the claim for repair or replacement of the kitchen units.

Ms B complained to QIC. She said only the base units were damaged, suggesting it was directly linked to the water damage. So she thought QIC should cover the cost of replacing the damaged units. Ms B also said she'd bought the property in good faith, so she wouldn't have known anything about the sub-floor construction. She said she expected QIC to cover the full floor repair and replacement in line with her policy.

In response to requests from QIC, Ms B provided estimates of the repairs needed to restore her kitchen to its pre-damaged condition. She had two estimates, one including the replacement kitchen furniture and one excluding it. The estimates were £38,000 and £28,000 respectively.

QIC looked into Ms B's complaint and sent its final response letter. QIC remained of the opinion that it was only liable for the cost of the replacement flooring. It offered around £12,000 as a cash settlement, which included the cost of labour to remove and refit the existing kitchen units.

Ms B didn't think QIC's offer was fair, so she brought her complaint to us.

Our investigator didn't think QIC had done enough to settle Ms B's claim fairly. She recommended that QIC pay £28,000 to cover the full flooring costs, but she agreed that the kitchen units were damaged gradually and excluded from cover.

Ms B accepted the proposal, but she placed conditions on her acceptance.

QIC didn't agree because it was still of the view that it had no liability for the sub-floor under the terms of the policy.

I issued a provisional decision in October 2023 explaining that I was intending to uphold in part Ms B's complaint. Here's what I said:

provisional findings

There's no dispute that a leak from the water mains caused damage to Ms B's kitchen flooring. And QIC accepted some liability for the repairs under the policy terms and conditions. So, for me to decide whether QIC handled Ms B's claim fairly and reasonably, I've thought about what should've happened when she made her claim and compared that with what actually happened.

Cash settlement - what should've happened and what actually happened

When QIC's loss adjuster inspected the damage, I'd have expected to see a full documented report, including photos, to justify the decision to accept or decline the claim. If any part of the claim was declined, I'd expect QIC to explain that to Ms B. If any part of the claim was accepted, QIC should've arranged repair, replacement or a cash settlement in line with the policy terms.

- *The evidence shows that the two loss adjusters' reports were brief, and included incorrect or inconsistent information. The outcome appears to be an overall decline, but QIC told Ms B that it only declined the sub-floor and kitchen units. So the claim started out with some confusion.*

The policy terms and conditions state that if QIC offers to cash settle rather than complete the reinstatement work, it must be equivalent to the reasonable cost to Ms B to arrange the work herself.

- *QIC said its contractors wouldn't complete the floor repairs, but it offered a cash settlement equivalent to what it would've cost if it had arranged to replace the flooring, excluding any work on the sub-floor. Providing the offer is equivalent to the cost to Ms B to complete the work QIC would otherwise have done, I think that's fair and in line with the policy.*

The damaged flooring ran from wall to wall – that is, underneath the units - so QIC would've been responsible for removing and refitting the kitchen units to access the whole floor.

- *QIC's cash settlement offer included removal of and refitting the kitchen, so it offered what I'd expect in the circumstances and in line with the policy.*

Providing the sub-floor was of the required building standards in force at the time of construction, I'd expect QIC to repair the sub-floor to current standards.

- *QIC said the sub-floor wasn't constructed in line with best practice. Its loss adjuster said the floor didn't have:*
 - *a damp proof membrane;*
 - *self-levelling compound;*
 - *insulation, or*
 - *upper moisture resistant deck.*

In the absence of any evidence to the contrary, I have no reason to doubt the surveyor's assessment that the sub-floor was not constructed to best practice. Therefore, I can understand why QIC declined to pay for the sub-floor repairs, as to do more than that would've been placing Ms B in a better position than before the leak.

As the sub-floor was not in line with building regulations at the time of construction, I'd have expected QIC to offer either a cash settlement for its liability to replace the wood flooring

only, or to complete the full works subject to Ms B covering the cost of bringing the sub-floor in line with best practice.

- QIC said it only offered a cash settlement because that's what Ms B asked for. It didn't offer to complete the work subject to her paying for the sub-floor. However, the loss adjuster's report shows that Ms B, "may consider a cash settlement as her partner knows a local builder". I don't think that implies she preferred to use her own builder. Therefore, I think QIC should've given her the option to arrange or pay to bring the sub-floor up to standard so it could replace the wood flooring covered under the policy. I think QIC fell short of reasonable expectations here.

In summary, then, I don't think QIC's cash settlement offer alone was sufficient in the circumstances. I think it should've made alternative offers which allowed Ms B to bring her sub-floor up to standard so she could benefit from QIC completing the remainder of the work, including removing and refitting her kitchen.

Ms B has already had the work done, so any settlement for the new wood floor, excluding any work to bring the sub-floor up to standard, should be equivalent to the cost of that work. I'd only expect QIC to pay for the necessary cost and for a similar standard of floor. Ms B would need to provide QIC with evidence of the itemised invoice and payment.

I also think QIC should pay the equivalent of its expected costs to remove and refit the kitchen as it previously included in its offer. As Ms B had a new kitchen, I wouldn't expect QIC to pay the full labour charges for installation.

Kitchen units

Ms B said the kitchen units were damaged by the escape of water. She said that's evident because the damage only became visible after the leak. Its surveyor said the damage was consistent with wear and tear, so QIC declined cover under the policy exclusion of gradually occurring damage.

I've looked at the photos provided which show delamination of the unit doors in places. I have no reason to doubt that the damage became visible after the escape of water, or that it was confined to the base units. However, I note that the damage was on lower edges and the top of kitchen unit doors - areas that would likely suffer wear and tear from use.

So, based on the evidence, I find QIC's explanation more persuasive. It's more likely than not that the kitchen units were damaged over time, and the escape of water was not the main cause of delamination. Therefore, I think QIC fairly declined this element of the claim in line with the policy exclusion it relied upon. I see no reason to ask QIC to cover the cost to repair or replace the kitchen units.

Compensation

Ms B asked for compensation in recognition of the distress and inconvenience this matter caused. It's worth noting here that Ms B showed how she tried to minimise the claim costs – for example, seeking discounts on storage and sourcing alternative accommodation herself, which was significantly smaller than her own property and required her to vacate briefly due to an existing booking. While I wouldn't expect any policyholder to seek excessive costs, this evidence persuades me that Ms B's conduct reflects that of someone who just wanted the claim handled properly and quickly.

Having considered the evidence, I don't think QIC handled the claim as well as it should've done, causing Ms B otherwise avoidable distress and inconvenience. In light of this,

including its failure to advise Ms B of her options for the sub-floor work, I think it's reasonable for QIC to pay £250 compensation.

Interest on payment

Ms B asked for interest on the payment she made to her builder.

As I've said, I don't think QIC was responsible for bringing the sub-floor up to standard, and QIC explained that to Ms B. While I think it could've explained the options to her more comprehensively, it doesn't make any difference to the amount Ms B would've needed to pay for her floor work and replacement kitchen. Therefore, I see no reason to ask QIC to pay interest on the payments she made to her builder.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

QIC didn't provide any further comment or evidence.

Ms B provided some clarification of work done and commented on several matters.

I'll address the key points below.

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 reconsidered the evidence in light of Ms B's further comments, I've decided to partly uphold her complaint for the same reasons I gave in my provisional decision.

Ms B explained that the sub floor was left untouched when the builders completed repairs, and she described the work done. Ms B also confirmed that the costs for the lower quote increased to £42,000, and neither of the quotes included work to the sub floor. The clarification is helpful, but it doesn't affect what QIC needs to do to put matters right.

In the background to my provisional decision, I said QIC declined cover for the kitchen units because they were damaged gradually through normal wear and tear and/or poor extraction from the room. Ms B said poor extraction wasn't mentioned before. To clarify, I took the information from the surveyor's report which indicated that the possible causes had been discussed with Ms B. However, whether or not extraction was mentioned, I'm satisfied that QIC reasonably relied on the policy exclusion for wear and tear.

Ms B said QIC suggested that she seek a cash settlement. I have no reason to doubt that, and I've already accepted that QIC didn't handle the settlement of the claim as well as it should've done.

I've noted Ms B's clarification that the quotes included work other than the flooring, such as redecoration, plumbing and electrical work. My focus was on the dispute regarding the sub floor and kitchen – that is, the areas of work not covered under the policy. Nevertheless, it's reasonable to make that clear now. In my provisional decision I said QIC hadn't handled the claim well because it didn't offer Ms B the option of arranging the sub floor work so that she could benefit from QIC completing the remaining work. I'm satisfied that my decision included the expectation that QIC was responsible for all other work, so I don't think it's necessary to issue a further decision for comment. That said, if Ms B thinks additional

necessary work was done which she thinks QIC would've been responsible for, she'd need to provide QIC with evidence so that it can consider the additional items under the policy.

Ms B said her new kitchen arrived assembled, so installation costs were like-for-like. She also said the work was done in one month, so labour costs alone exceeded QIC's offer. Again, if Ms B has evidence that her reasonable costs of all work covered under the policy exceeded that offered by QIC, she'd need to provide it with evidence.

The final point Ms B made was about the lost interest on her payment to the builder. She said if QIC had handled the claim better, she'd have been reimbursed the repair costs sooner. I've accepted that QIC didn't handle the claim as well as it should've done. But as it couldn't complete work until the sub floor was of an appropriate standard, I don't think it's responsible for any lost interest. However, I've acknowledged the service shortfalls, which is why I've decided £250 compensation is fair in the circumstances.

In summary, QIC declined two parts of Ms B's claim – the sub floor repairs and the damaged kitchen doors – and the evidence persuades me that it was fair to rely on the policy exclusions it quoted. So I'm not asking QIC to pay anything for the sub floor repairs, or for any costs incurred for the new kitchen installation which wouldn't have been incurred if the existing kitchen had been reinstalled. My decision is based on the understanding that QIC will pay all other agreed costs. And if Ms B believes she has additional costs to include in her claim, she'd need to provide QIC with evidence for its consideration under the policy terms and conditions.

My final decision

For the reasons I've explained above, and in my provisional decision, I uphold in part Ms B's complaint and QIC Europe Limited must:

- Cash settle the claim for the reasonable costs Ms B incurred replacing her wood floor. The settlement should include the kitchen removal and refit costs QIC would've incurred without applying any discount it might've achieved using its own contractors.
- Pay Ms B £250 compensation by way of apology for the service shortfalls and the failure to advise her of her options regarding the sub-floor.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 24 November 2023.

Debra Vaughan
Ombudsman