DRN-4364734

The complaint

Ms M and Mr R have complained about the way in which Royal & Sun Alliance Insurance Ltd ('RSA') settled their claim for fire damage under their touring caravan insurance policy.

What happened

In September 2022, Ms M and Mr R's caravan was unfortunately damaged by fire following an incident at the caravan site where their caravan was located on a seasonal pitch. The caravan was insured by RSA at the relevant time. The damage was caused by fire spreading from a neighbouring caravan.

Ms M and Mr R said that the caravan had been in pristine condition before the incident, but the fire had caused substantial and unrepairable damage to their caravan, so that it was written off. They believed that RSA should have claimed against their neighbour's insurance and that they should be paid the like-for-like purchase value for the caravan. They also didn't think that the claim should affect their own insurance policy, as should be recorded as a non-fault claim.

RSA didn't uphold the complaint and Ms M and Mr R therefore referred the matter to this service. The relevant investigator concluded that RSA had acted fairly and reasonably in the handling of this insurance claim. She recognised that the incident wasn't Ms M and Mr R's fault. However, she also noted that RSA was unable to hold the third-party legally liable for the damage caused. She concluded that it wasn't unreasonable for RSA to then have recorded the matter in the way that it did and not to reimburse an excess of £250. She also didn't consider it reasonable to expect RSA to pay travel expenses to source a new caravan.

Ms M and Mr R remain unhappy with the outcome of their complaint. The case has therefore been referred to me to make a final decision in my role as 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.

The key issue for me to determine is whether RSA applied the terms and conditions of the policy in a fair and reasonable manner. I consider that it has done so, and I'll explain why. In reaching this decision, I've also considered the parties' submissions as summarised below.

Ms M and Mr R explained what had happened in September 2022 when the adjacent caravan, awning and car were all destroyed in the incident. The intense heat from the fire then melted the entire facing side of Ms M and Mr R's caravan. RSA informed them *'that due to being insured for market value this was all we were entitled to, despite this being no fault of our own.'* Ms M and Mr R said they were then contacted by RSA with an increased offer. They were also given the opportunity to buy the caravan back, an offer which was subsequently retracted as RSA decided to write off the caravan, even though RSA hadn't viewed the damage. The person who collected it said there was no way the caravan was a

write-off. In the meantime, Ms M and Mr R had been trying to find a replacement, and this caused *'immense stress and financial outlay going up and down the country.'*

Due to the way RSA had treated the claim, Ms M and Mr R said that the cost of their policy had increased as they had to make a claim. Initially, they were also declined insurance following the incident, until Ms M and Mr R had explained the situation in detail. In summary, they felt that RSA hadn't treated them fairly and that they should have been able to claim against their neighbour's insurance. They also felt they should be able to claim for travel costs and wanted to claim the cost of paying for a pitch they were unable to use to full capacity, and compensation for the stress involved. In conclusion, they didn't think they should be out of pocket and have a claim recorded against them due to no fault of their own.

As to service issues, Ms M and Mr R said they'd been promised a final response by a date towards the end of April 2023, however this wasn't received, and they had to chase RSA on various occasions and general communication problems. They also had to find information for RSA, for example about the owner of the adjacent caravan, which took time.

I now turn to RSA's submissions regarding the matter. It partly upheld Ms M and Mr R's complaint regarding service issues but didn't uphold the substantive complaint about the level and manner of settlement.

Firstly, it considered that the caravan was beyond repair and therefore a total loss. It determined that Ms M and Mr R should be paid the market value of the caravan in accordance with the terms and conditions of the relevant policy. As to recovery against the insurers of the adjacent caravan, it acknowledged that this was *'abandoned as we're unable to hold the third party liable.'* Following its enquiries, it said it was established that the fire safety officer considered that the fire had been caused by a power surge, and that the third party couldn't be deemed liable for negligence.

As to the question of having a claim showing on Mr M and Mr R's record, RSA referred to the wording of the relevant policy to the effect that when it was told about an incident, it had an obligation to refer the matter to the relevant agencies. It said that the purpose of insurance was to protect customers against insurable eventualities, and it was unable to change how the claim had been recorded.

As to the settlement amount, RSA again referred to the terms and conditions and also to the policy schedule which; *'clearly states your cover is based on the market value.'* RSA said that as confirmed by Ms M and Mr R, the caravan was insured up to a specified amount on the policy. It said this was the limit of liability in the event of a loss. RSA said that when Ms M and Mr R disputed the settlement amount, it considered whether any uplift was appropriate, and it allowed a percentage uplift in all the circumstances.

As to salvage of the caravan, RSA acknowledged that it had made a mistake. As the caravan was deemed beyond economic repair, and then fell into a certain category, Ms M and Mr R couldn't then retain the caravan. It said this was because the category was deemed to consist of major structural damage and not viable for use, except for parts sold by a licensed salvage company. In recognition of the distress and inconvenience the caused, it awarded £50 compensation.

Finally, as to overall handling of the claim, RSA acknowledged that it hadn't maintained a strong level of communication, *'which has only accentuated the situation and resulted in you calling us on numerous occasions, to obtain the present position of the claim.'* RSA accepted it could have been more proactive in communication throughout the claim and that Ms M and

Mr R had to contact RSA on numerous occasions to chase progress. It said this wasn't acceptable and not the expected level of service and awarded a further £50 compensation.

Having considered all the evidence and submissions I now provide the reasons for my decision. The starting point for complaints of this nature is the wording of the policy documents. I note that in this case, the wording states; *'It is your responsibility to ensure that the sum insured shown on your schedule represents the full market value of your property, as we will not pay more than the sum insured'.* I conclude that the settlement amount was in line with the terms and conditions of the policy. I also consider that the percentage uplift provided by RSA was a fair and reasonable response and I don't consider that it could reasonably be expected to reimburse other costs such as travel to source a new caravan.

As to the fact that the claim was recorded against Ms M and Mr R and the excess charged, I can't say that this was unfair or unreasonable, and this is in accordance with normal and standard insurance practice. Whilst I can understand why Ms M and Mr R feel aggrieved, as the damage to the caravan occurred through no fault of their own, insurance is in place to cover such eventualities. There's no evidence that the damage occurred due to the fault of the owners/occupiers of the adjoining caravan either and the evidence shows the fire was caused by a power surge. If it could be established that the surge was caused by the negligence of any third party, then Ms M and Mr R may be able to pursue a claim for uninsured losses against such party. However, this would be a matter for Ms M and Mr R to consider separately. As to RSA's actions however, I can't say that it acted in an unfair or unreasonable manner in not pursuing recovery against the insurers of the adjoining caravan.

I note that RSA acknowledged its service failings. It awarded compensation in relation to its error as it initially indicated that the caravan could be salvaged. It also awarded compensation for its lack of proactive communication. I consider that the total compensation of £100 is in line with the service's guidelines as to the appropriate level of compensation for such service errors.

I appreciate that this decision will come as a disappointment to Ms M and Mr R. However, incidents of this nature, as well as the claims process, inevitably cause some stress and inconvenience and the issue here is whether any unnecessary additional stress and inconvenience was caused by the insurer's handling of a claim. I consider that additional inconvenience had been cased, however I can't say that RSA acted in an unfair or unreasonable manner in relation to its response to the service failings with payment of £100.

My final decision

For the reasons given above, I don't intend to uphold Ms M and Mr R's complaint and I don't require Royal & Sun Alliance Insurance Ltd to do any more in response to his complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M and Mr R to accept or reject my decision before 30 November 2023.

Claire Jones
Ombudsman