

## **The complaint**

Mrs A complains about a cash settlement offered by her insurer, Zurich Insurance PLC (Zurich), for damage at her property caused by an escape of water.

Zurich use agents to administer the policy and to assess claims. References to Zurich include these agents.

This decision covers Mrs A's further complaint to this Service about Zurich's offer of a cash settlement to settle her claim. This follows an earlier complaint to this Service about delays in handling her claim. That complaint was dealt with under a separate case, the investigator issuing a view in December 2023 awarding an additional £100 compensation for distress and inconvenience to the £150 offered by Zurich in their final response of October 2023, making a total of £250 compensation. That outcome was accepted by both Mrs A and Zurich and Mrs A received the compensation.

This decision doesn't consider the earlier complaint, but events not covered in Zurich's final response in October 2023, including issues covered in their further final response issued in November 2023. It doesn't cover events or issues arising after that further final response.

## **What happened**

The following is a summary of events relevant to this complaint, it doesn't reproduce the full sequence of events covered by the earlier complaint referred to above, as these are well known to Mrs A and Zurich.

Mrs A reported an escape of water in her kitchen in May 2023, a leak from her washing machine. A firm (B) were initially appointed by Zurich to assess the damage and progress the claim. After assessing the damage, B concluded it fell outside their delegated authority, so a loss adjuster (D) was appointed to handle the claim.

Zurich subsequently made a cash settlement offer to Mrs A in September 2023 for the work needed to for drying the affected area and replacing the flooring, as she wouldn't allow their contractor (A) to install drying equipment using her electricity supply. The cash settlement comprised £1,097.66 (net of VAT) for drying of the affected area and £2,250 (net of VAT) for replacement of damaged flooring. The latter was based on a contractor quote from Mrs A.

Zurich also said they required an estimate of the cost of replacing damaged plinths and an end unit for them to review. But they wouldn't make an offer for replacement of other kitchen units as they considered them to be undamaged and they could be removed and put back in place to allow for replacement of the flooring. Zurich also said if alternative accommodation was required, they could source it for Mrs A, or settle up to the policy limit of liability should Mrs A want to stay in accommodation she could secure.

Mrs A challenged Zurich's offer on several grounds. She disputed not allowing Zurich to install drying equipment, saying she wasn't confident she would be reimbursed for the cost of electricity. She said two kitchen units were destroyed when being removed to expose the floor, so would need replacement. Other units that would need removal could be damaged,

so might need replacing. She also thought the kitchen units would need painting and wanted reimbursement for the estimated cost of taking up the flooring.

Zurich treated Mrs A's challenge as a complaint, but they didn't uphold it. In their final response issued in November 2023 they reiterated the cash settlement offer for drying and replacement flooring. They said they were awaiting a response from Mrs A about the plinths and end panel.

Unhappy at Zurich's final response, Mrs A then complained to this Service.

Our investigator didn't uphold the complaint, concluding Zurich had acted fairly in their offer to settle the claim and requesting further evidence on repair costs.

Mrs A disagreed with the investigator's conclusions and asked an ombudsman review the complaint. She said taking up the floor would cost her a significant sum for which Zurich hadn't offered to help with. She estimated the total cost of reinstating her kitchen to the condition it was in before the leak would be some £5,977 (net of VAT). This included repairing the damage to the floor (£1,097); new flooring (£2,250); repair of damaged kitchen units (£800); redecorating all units and plinths to match (£1,500); alternative accommodation during the repair work (£300); and 'tip' for a week (£300). She also raised a number of concerns about Zurich's settlement offer. She'd spent 12 months with her kitchen in disarray and had only received £250 compensation (from her earlier complaint).

### **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 Zurich have acted fairly towards Mrs A. In doing so, I'd want to reassure Mrs A I've considered all the points she's raised as part of her complaint, including those made in response to the investigator's view, even if I haven't referred to them all in detail in this decision.

The key issue in Mrs A's complaint is whether Zurich have acted fairly in making a cash settlement offer for the claim. Mrs A says it doesn't cover the work needed to reinstate her kitchen to the condition it was in before the leak. She's also raised a number of other concerns about how the settlement was determined. Zurich say they've made a fair offer and are willing to consider additional items under the claim, primarily damaged plinths.

In making a cash settlement offer, Zurich have acted in accordance with the policy terms and conditions about how claims will be settled. This is set out under *Section One – Buildings – Settling Claims* and *How we deal with your claim* where the following wording appears under a sub heading *1. Replacement or Repair*.

*"We may repair, reinstate or replace the lost or damaged property. If we cannot replace or repair the property we may pay for the loss or damage in cash. Where we can offer repair or replacement through a preferred supplier, but we agree to pay a cash settlement, then payment will not exceed the amount we would have paid the preferred supplier."*

This provides for Zurich to decide how to settle a claim, including the offer of a cash settlement. So, it's reasonable for Zurich to have offered a cash settlement, given what I've seen about Mrs A not being prepared for Zurich to install drying equipment using her electricity supply (though they would have reimbursed the additional cost of electricity the drying equipment would have consumed).

Having concluded it was fair and reasonable for Zurich to have offered a cash settlement, I've then considered whether they acted fairly in making the settlement offer.

Looking at the cash settlement offer made by Zurich, two of the elements appear to match two elements referred to in Mrs A's response to the investigator's view – the £1,097.66 (for drying) and the £2,250 cost of replacement flooring. As there isn't disagreement on these two items (and the latter is based on an estimate from a contractor provided by Mrs A) then I've concluded both are fair and reasonable.

In terms of the other points, Zurich have offered to consider the cost of replacing the damaged plinths and end unit, which I also think reasonable. They've also offered to source alternative accommodation for Mrs A – should it be required – or to reimburse her up to the policy limit should she wish (as seems to be the case) to stay in alternative accommodation of her choosing. I think this is reasonable and in line with the policy terms and conditions.

As far as the other elements Mrs A has referred to, some are contingent on (at the point she raised her complaint) potential future events, such as units being damaged on removal. Others don't appear to be ones that would obviously be covered under the policy – for example decorating all units to match or 'tip' for a week. So I can't reasonably conclude they should have been included in Zurich's cash settlement offer.

Taking all these points into account, I've concluded Zurich acted fairly and reasonably in making their cash settlement offer, so I won't be asking them to take any further action.

### **My final decision**

For the reasons set out above, it's my final decision not to uphold Mrs A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 2 May 2024.

Paul King  
**Ombudsman**