

The complaint

Mr C complains about the way Royal & Sun Alliance Insurance Limited (RSA) has dealt with the settlement of his claim under his home insurance policy following an escape of water.

What happened

Mr C's home was damaged by an escape of water and he made a claim under his home insurance policy. In September 2021 RSA instructed a surveyor to assess the damage and accepted that it was caused by an insured event.

The surveyor recommended testing for asbestos and that drying out take place in the kitchen. RSA appointed a loss adjuster to advise on the strip out of the kitchen and to provide a scope of works for its contractors. The loss adjuster attended and the scope of works was sent to Mr C. The asbestos removal was carried out in January 2022 and the remainder of the strip out works and drying out was completed by the beginning of March 2022.

In January 2022 Mr C was offered settlement options – a cash settlement of £5,565.62 including VAT, or for RSA to carry out the repair work using their own contractors. RSA warned Mr C that there could be a long wait for reinstatement works to begin and suggested he also obtain his own quotes from local contractors.

On 19 April 2022 Mr C emailed RSA attaching his contractor's quotes and asking it to agree a quote of £25,770 including VAT. RSA said it couldn't approve the quote as there was a big difference between their settlement figure and the quote. It suggested its loss adjuster attend to reassess the work required. Mr C said that he'd instructed his contractor to begin work and whilst he couldn't see that a further inspection was justified, he agreed the loss adjuster could attend. He said that the cash settlement offered wasn't sufficient to do the work and that his quote was based on RSA's scope. RSA said that they'd not authorised Mr C to go ahead with the work and that it couldn't agree to pay more than it would have cost its own contractors to complete the work. It asked Mr C to arrange for his own contractor to provide a detailed costing for it to consider.

Mr C complained to RSA about the cash settlement offered as it would not put the property back into its pre-loss condition. He felt that RSA had encouraged him to get his own quotes and wanted RSA to agree his own contractor's quote as he had already commenced the work. He was also unhappy about the time taken for the claim to progress.

RSA referred to the terms and conditions of its policy and said that a cash settlement wouldn't normally exceed the amount it would pay its own contractor. It thought the settlement offered was fair, and it hadn't agreed to pay the quote from Mr C's contractor. It also said it didn't encourage Mr C to use his own contractor but advised him of the option of doing so. It said it wanted its loss adjuster to re-examine the property following the strip out to reconsider the costs, particularly as there was such a difference between Mr C's quote and RSA's contractor's costs. It didn't accept that there had been any avoidable delay. Mr C then brought his complaint to this service.

Our investigator didn't think that RSA had done anything wrong. She didn't think that RSA had caused delay and that it wasn't unreasonable for it to refuse to pay Mr C's contractor as the quote was not agreed in advance. She said it was fair for RSA to offer a cash settlement based on what it would have cost it to carry out the work itself.

Mr C didn't agree. He said he was never warned by RSA not to commence work without authorisation. Mr C said he agreed to allow the loss adjuster to re-attend but that the work had already started. He also said that RSA hadn't provided details of its settlement figure. He asked for an ombudsman's decision.

My provisional decision

I issued a provisional decision on 15 June 2023. I said:

"RSA offered Mr C two settlement options in their email of 25 January 2022 - a cash settlement of £4,638.02 excluding VAT for Mr C to carry out the work, or for RSA to do the work using their own contractors.

I've looked at the terms and conditions of the policy. At page 12 it says "Where we can offer repair or replacement through a preferred supplier but we agree to pay our customer a cash settlement, then payment will normally not exceed the amount we would have paid our preferred supplier."

I've seen a copy of RSA's costed scope using its own contractor's rates and the total amount equals £4,638.02 excluding VAT. This is what RSA offered Mr C as this is what it would have cost it to carry out the work itself. RSA will have relationships with contractors whose costs are likely to be lower than those charged by a policyholder's contractor. If a policyholder chooses to use their own contractor, it wouldn't be fair to expect the insurer to pay more than what it would have cost it to carry out the work itself.

I agree with Mr C that RSA encouraged him to obtain his own quotes due to delays in their contractor's start dates. RSA specifically said this in its email of 25 January 2022. However, encouraging Mr C to obtain a quote is not the same as agreeing to pay the sum quoted. Mr C accepts that RSA didn't explicitly authorise him to start the works. However, he says that he wasn't warned not to commence work without authorisation and suggests this could be seen as implied consent. However, I don't think failure to warn against doing something necessarily implies that it's ok to go ahead and do it without authorisation.

I've looked carefully at communication between the parties so see if consent can be implied in the circumstances of this case - and I don't think it can. I can see that RSA encouraged Mr C to obtain a quote - and I accept that it didn't specifically warn him not to commence work. However, Mr C sent his two quotes to RSA seeking agreement. This would suggest to me that he knew the quotes would need to be approved. When the quote he preferred was refused by RSA, Mr C emailed again asking RSA to reconsider. Mr C was also advised by RSA that if there was no agreement on costs, he could use RSA's contractors instead.

I haven't seen anything to persuade me that there was implied consent for the work to commence. Mr C was also fully aware that his quote was considerably higher than the cash settlement offered by RSA, and I don't think it's reasonable to assume that RSA would agree and pay it.

RSA asked Mr C to agree that their loss adjuster reinspect the property to ensure that the scope and their costings were correct. Mr C initially refused but changed his mind and agreed the loss adjuster could attend. Mr C said that he thought a further visit meant that the scope of works would be reduced to match RSA's costings, but I haven't seen anything to

suggest this. The scope was carried out before the strip out works and from the correspondence I've seen I think RSA was simply trying to ensure it had the correct price and to see if there was any reason why Mr C's quote was so much higher than theirs. I also note that RSA asked Mr C to provide a detailed breakdown of his contractor's quote for consideration, but I don't know that this was done.

I understand that Mr C was keen to get the work completed and that he had been told by his contractor that there would be delay if work didn't commence straightaway. However, this wasn't relayed to RSA and RSA had already said that it couldn't agree the quote. In these circumstances, I don't think it was unreasonable for RSA to decline to pay Mr C's quote.

Taking all the above into account I don't think that RSA acted unfairly in declining to pay Mr C's quote and offering a cash settlement based on their own contractor's rates of £4,638.02 plus VAT. I don't intend to uphold this part of the complaint.

Mr C also complains of delay with the progress of his claim. RSA hasn't commented specifically on this apart from saying there were no excessive or avoidable delays.

I've therefore looked through RSA's notes of the claim and I'm satisfied that during the first month or so the claim progressed smoothly. There then seems to be some confusion regarding the strip out works required to allow removal of the asbestos – and who was going to carry them out. Mr C contacts RSA at the beginning of December 2021 asking if progress could be speeded up as the kitchen was cold and damp and there were two vulnerable people living at the property. At the end of December 2021 he was offered an appointment in January 2022 for the asbestos removal. I think there was some delay during this period as there seemed to be little progress between November and the making of the appointment in December 2021.

There was further confusion regarding appointments for the drying out – but I don't think this led to any significant delay on RSA's part. All drying out was completed by early March 2022 and RSA then contacted Mr C to discuss settlement of his claim.

Mr C says that RSA always kept him updated with his claim, but he was frustrated by the slow progress. He says that this resulted in him and his family spending the winter in a cold and damp kitchen waiting for the preparation work to complete. I accept that this was particularly difficult as Mr C had a young child and another family member living with him who had serious health issues. RSA were aware of this.

I therefore intend to require RSA to pay compensation of £500 for distress and inconvenience caused by delays with the progress of the claim.

In April 2022 RSA offered Mr C the sum of £2,000 for disturbance at the property whilst the works were ongoing and whilst the kitchen was out of use. I queried this with RSA who confirmed that this wasn't compensation but was offered by the claims department as a disturbance allowance. RSA said that Mr C declined this and so it hasn't been paid but confirmed that the offer still stands. As this wasn't part of the complaint or offered as compensation, I haven't dealt with it here and if Mr C wishes to accept it, he should contact RSA directly.

RSA responded and queried the length of the delay and what evidence there was that Mr C's family had health issues. Mr C didn't accept my provisional decision and provided a detailed response that I have summarised and dealt with 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.

I would like to reassure both parties that I've considered all their comments very carefully, even if I've not specifically commented on them below. My decision focuses on whether RSA's actions were reasonable and, whilst I know Mr C will be disappointed, I've not seen anything new that makes me change my mind.

Mr C says that RSA should have used its discretion to depart from its terms and conditions at page 12. Whilst I agree that the terms and conditions allow some discretion, my role is not to tell RSA to use that discretion but to consider whether it acted reasonably in the circumstances. The policy allows RSA to settle on its own contractor's rates and, as it had offered to carry out the work itself, I don't think it acted unreasonably in declining to pay Mr C's quote.

Mr C says that RSA made no attempt to negotiate a settlement - but I don't agree. Negotiations could only take place once Mr C provided his quotes, and this was only done the day before his contractors started work. RSA suggested a further visit by its loss adjuster, but this was initially refused by Mr C. I don't think this visit was just to reduce the scope as Mr C suggests, but to look at the costs again due to the difference in price. RSA also offered to carry out the work itself if there was no agreement on costs after the second visit. Whilst Mr C then agreed to allow the visit, the work had already begun. Mr C says he wasn't aware that RSA had requested a detailed costing of his quotes, but I've seen an email dated 21 April 2022 asking for this information, so I'm satisfied it was requested.

Mr C didn't think RSA had made it clear that he shouldn't commence works. I've largely dealt with this in my provisional decision, and I haven't seen anything new that changes this. RSA told Mr C that it couldn't agree the quote as soon as it was received and I think it made this clear. Mr C says that by asking him to obtain quotes RSA had assumed the role of "advisor" and that it then failed to properly advise him not to commence the work without authorisation. However, I don't think RSA took on the role of an "advisor". RSA suggested that due to delays with its contractors it might be quicker to use local contractors, but I haven't seen anything to persuade me that this makes RSA an "advisor" as Mr C suggests.

Mr C says that the settlement should be recalculated to include inflationary price increases since the scope was prepared. However, RSA offered to settle this case in January 2022 based on its network contractor's rates at the time. Mr C didn't accept this, and his own quotes weren't provided until April 2022. As I don't think RSA acted unreasonably by offering to settle at its own contractor's rates, I won't be requiring it to recalculate its offer.

RSA queries what evidence there was that Mr C's family member had health concerns. RSA was aware of health issues due to Covid and had accepted these as mitigating circumstances for Mr C not dealing with the original leak more quickly. Mr C had also told RSA that there was a young child in the house. As RSA was aware of these issues and hadn't challenged them, I see no reason to doubt what Mr C said.

I've awarded compensation for delays when there was confusion regarding the asbestos removal and strip out works. The asbestos company and drying company were instructed in September 2021 and, whilst there was progress in October, there were delays in November, December and January that I think were RSA's responsibility. This was over the winter period which I think would have caused Mr C and his family considerable distress and inconvenience. Mr C thinks the compensation is not sufficient, but I think the award of £500 is fair in all the circumstances.

Mr C also raises the issue of additional heating costs due to the state of the unrepaired kitchen during the winter months and the additional electrical costs of running the drying equipment. RSA says it offered in an email in February 2022 to reimburse these costs and Mr C should contact RSA to arrange payment. Likewise, as I mentioned in my provisional decision, RSA has already offered a disturbance allowance of £2,000 and Mr C should contact RSA for payment if he wishes to claim this.

On balance I've not seen any evidence that causes me to depart from the findings in my provisional decision. So, my final decision and reasoning remains the same. I don't think RSA acted unreasonably in declining to pay Mr C's quote, but I do think there was some delay with progressing the claim and that RSA should pay £500 compensation for distress and inconvenience.

My final decision

My final decision is that I uphold this complaint in part and require Royal & Sun Alliance Insurance Limited to pay Mr C £500 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 02 January 2024.

Elizabeth Middleton

Ombudsman