

## **The complaint**

Mr O and Mrs O complain about how QIC Europe Ltd (QIC) dealt with a claim under their home insurance policy for damage to their property caused by a leak from a shower.

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

Mr O and Mrs O were supported by a representative in bringing their complaint. References to Mr O and Mrs O include their representative.

## **What happened**

In December 2022 there was a leak from the bathroom at their property, which came through the kitchen ceiling underneath. They contacted QIC at the beginning of January 2023 to report the damage and lodge a claim. QIC appointed a firm (T) to assess the damage and handle the claim. T visited the property a few days later and subsequently prepared a scope of works to repair the damage, affecting the bathroom, the kitchen and a bedroom.

In May 2023, Mr O and Mrs O engaged a plumber to fix the leak. The plumber said the leak was caused by overtightening of the drain cover screws, causing cracks in the drain cover that led to the leak. The leak had taken time to soak the ceiling and walls underneath the shower, so wasn't visible.

Given what they were told by the plumber and what S said about the repair they'd carried out, Mr O and Mrs O complained to this Service. They'd been affected financially by having to pay the policy excess to their current insurer and been without a working shower from February to May 2023. They wanted QIC to reimburse the excess they'd paid to their current insurer and compensate them for the loss of use of their shower and the time, stress and anxiety from what had happened.

Unhappy at the cash settlement offered, Mr O and Mrs O complained to QIC. They didn't think the scope of works was satisfactory and didn't cover all the work needed to repair the damage. They'd been left with a bathroom in poor condition and the kitchen ceiling had been removed because of the confirmed presence of asbestos, but not replaced. Removal had also damaged the recently fitted kitchen and paintwork. This left the kitchen in a dangerous condition, and they were concerned about any residual asbestos and the risk to their health. Their electrician told them the leak had damaged the electrics, which would need addressing. They were also unhappy at not being offered the option of a QIC contractor carry out the repair work, or a reason why not.

QIC considered Mr O and Mrs O's complaint but didn't uphold it. In their final response they referred to their assessment of the claim under the escape of water section of the policy and the scope of work that formed the basis of the cash settlement they'd offered and subsequently paid (£4,149.62 less the policy excess of £650). They'd also paid for the removal of the kitchen ceiling and made further settlement of £253.87. A further £880.70 was available in respect of VAT (should that be payable by Mr O and Mrs O). They said they were satisfied the settlement offered was fair and the limit of liability under the policy.

Mr O and Mrs O then complained to this service. They didn't think the cash settlement offered by QIC was enough to enable them to repair the damage. Their kitchen ceiling had been removed and tested positive for the presence of asbestos but hadn't been replaced. And in removing the ceiling, damage was caused to the kitchen and paintwork. They thought the policy gave policyholders the choice of either taking a cash settlement or having contractors appointed by QIC carry out the repair work. They weren't given that choice or told why QIC wouldn't appoint their own contractor. And the quotes they'd obtained from plasterers about the cost of repairing the ceiling, as well as to repair the bathroom leak and damaged electrics weren't considered by QIC.

Mr O and Mrs O said they'd been offered £3,753.49 as a cash settlement, but the total costs to them of the repair work totalled some £10,238 – meaning they were substantially out of pocket. They wanted QIC to re-assess the claim and look at the costs they'd incurred and pay them the shortfall against the cash settlement offered. This would have been avoided had QIC appointed their own contractors to carry out the work.

Our investigator upheld the complaint. While he thought it reasonable for QIC to seek to settle the claim through a cash settlement, he didn't think the scope of works considered all costs when QIC calculated the cash settlement – for example reinstating the kitchen ceiling following its removal wasn't included in the scope of works. As Mr O and Mrs O knew the full outlay following the repairs to their property, the investigator thought QIC should consider the relevant costs and re-visit the settlement figure to ensure a fair and reasonable settlement to Mr O and Mrs O. QIC should also consider costs in respect of damage allegedly caused by contractors. On the removal of asbestos, the investigator concluded it was completed safely and an independent firm provided the appropriate certificate recording health, safety and environmental standards were met during the removal.

Although QIC responded to accept the investigator's conclusions, they didn't contact Mr O and Mrs O to action those conclusions. So, the complaint has been passed to me to review.

### **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'd first want to acknowledge what Mr O and Mrs O have said about their circumstances, including the Mrs O's health conditions they've told us about. I know this will be concerning for them and I've borne this in mind when deciding, as is my role here, whether QIC have acted fairly towards Mr O and Mrs O.

The main element of Mr O and Mrs O's complaint is that the cash settlement offered by QIC doesn't cover all the work needed to repair the damage from the leak, nor cover the costs they have incurred (or likely to incur) from the estimates and quotes provided by the various suppliers and contractors they've approached. QIC say their settlement offer is based on a scope of work and is fair.

A further issue is QIC offering a cash settlement, rather than offering to appoint a contractor(s) to carry out the repair work. Mr O and Mrs O say they should have been given the option of a QIC-appointed contractor carrying out the work. But they weren't given that option, nor an explanation of why not.

Taking the second issue first, QIC offering a cash settlement, rather than appointing their own contractor to carry out the repair work, looking at the policy terms and conditions document, there's a section headed *Settling claims under buildings covers* which states:

1. *How much we will pay...*

*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 through our preferred contractor.*

*If we cannot offer rebuilding work, repairs or replacements (As defined by us) through our preferred contractor, we will pay you:*

- a. Fair and reasonable costs to have the work carried out by your chosen supplier; or*
- b. The amount by which the buildings have gone down in value as a result of the damage;*

*whichever is lower.”*

What this means is that it's QIC's decision about how to settle a claim, whether by using their own contractors, pay a cash settlement, or the pay the costs of a policyholder using their own supplier. So, in this case, QIC chose to offer a cash settlement, which is their decision under the above policy terms. As they've followed the policy terms in exercising their choice of how to settle the claim, I can't say that's unreasonable.

It's also the case that in offering a cash settlement, the policy terms provide for this to be at the rates (the cost) QIC would get from their preferred supplier. Which, given the discounts insurers are able to negotiate with their preferred suppliers, are likely to be lower than those an individual policyholder can obtain through quotes from suppliers and contractors they approach directly.

QIC have said their decision to settle the claim through a cash settlement was made following the surveyor visit, who in discussion with Mr O and Mrs O concluded their expectation of the repair work included repairs that the surveyor didn't think should be covered under the claim. So, the decision was made to offer a cash settlement based on the scope of works. Given the decision is for QIC to make per the policy terms and conditions, I don't think this is unreasonable.

While I've reached this conclusion, I can consider whether the cash settlement offered is fair and reasonable, based on a scope of work that fairly covers the repairs and reinstatement needed to fix the damage resulting from an incident (the leak in this case).

Looking at the cash settlement, I can see it's based on a scope of works prepared following the inspection visit by QIC's surveyor (E). Looking at it, while QIC have made a settlement for the removal of the kitchen ceiling (due to the presence of asbestos, I can't see it includes the replacement of the kitchen ceiling following its removal (which happened after the surveyor's visit). If QIC are prepared to cover the cost of the ceiling's removal, then it's reasonable that they should include an element in the cash settlement for its reinstatement.

In their response to our investigator's view (in which they accepted the findings) QIC say they've updated the scope of works to include reinstatement of the whole kitchen ceiling and that they will pay Mr O and Mrs O the extra costs. I think this is reasonable.

Mr O and Mrs O have also provided us with receipts for items as part of the repair work. It isn't my role to assess these costs and decide whether they're reasonable – that is the responsibility of QIC, per the above policy terms and conditions ('paying fair and reasonable costs'). While QIC have made a cash settlement offer, I think it reasonable to ask them to assess the full schedule of costs from Mr O and Mrs O (on the assumption they will provide this to QIC) and decide whether to adjust their cash settlement offer and/or to reimburse any of these costs.

Another aspect of the complaint concerns the presence of asbestos in the kitchen ceiling, leading to the need for its removal. Given the risks associated with asbestos, I think it reasonable that the ceiling was inspected and assessed for the presence of asbestos and -it being confirmed it was present – I think it reasonable to remove it, thereby removing the hazard. I've see the certificate from the specialist contractor confirming removal of the ceiling and that the area has been cleaned and is visually free of dust or debris in accordance with HSE guidelines. As a professional asbestos removal contractor, I think it's reasonable to take assurance from the certificate.

### **My final decision**

For the reasons set out above, it's my final decision to uphold Mr O and Mrs O's complaint. I require QIC Europe Ltd to:

- Revise their cash settlement offer to reflect the updated scope of works (to include reinstatement of the kitchen ceiling).
- Assess the full schedule of costs from Mr O and Mrs O (on the assumption they will provide this to QIC) and decide whether to adjust their cash settlement offer and/or to reimburse any of these costs.

QIC Europe Ltd should also add interest to any increase in their cash settlement they determine, at a rate of 8% simple, from the date of the original cash settlement they made to Mr O and Mrs O to the date QIC pay any additional cash settlement (assuming Mr O and Mrs O accept my final decision).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O and Mrs O to accept or reject my decision before 20 January 2024.

Paul King  
**Ombudsman**