

The complaint

Mr and Mrs B are unhappy with the amount Lloyds Bank General Insurance plc (Lloyds) paid to settle their claim for damage caused by an escape of water.

Mr and Mrs B jointly held buildings and contents insurance with Lloyds. For ease of reading, I'll refer only to Mr B throughout my decision and any reference to Lloyds includes its agents.

What happened

In summary, Mr B claimed under the policy after water from a burst pipe flooded his kitchen and damaged some of the fitted units. Lloyds accepted the claim.

After a failed attempt to repair the kitchen unit doors, and after being informed that the same doors were unavailable, Lloyds arranged for Mr B to select a new kitchen from its preferred supplier.

However, before work started, Lloyds contacted Mr B to say his policy didn't provide cover for matching sets, and never had. Mr B disagreed. After he complained, Lloyds accepted that his policy had provided matching sets cover in the past but now it only included 50% towards undamaged items.

Lloyds offered a cash settlement of a little under £13,000, which Mr B accepted in dispute.

A local company fitted Mr B's kitchen, charging him just over £26,000. Because Mr B believed he had full matching sets cover, he wanted Lloyds to reimburse the difference between the invoice and its cash settlement.

Lloyds issued a final response to Mr B saying that it wouldn't be increasing the cash settlement. However, it acknowledged its service shortfalls and paid £150 compensation by way of apology. Lloyds also considered elements of its service shortfall in an earlier compensation payment of £300.

Mr B remained unhappy and brought his complaint to us.

Our investigator didn't uphold the complaint. She said Lloyds had settled the claim in line with the policy, and it was fair to make its offer based on 50% of the cost to replace the undamaged kitchen units.

Mr B didn't agree, although his reasons were based on the sale of the policy which he believed should've included full matching sets cover. The sale of the policy is being looked at separately, so the complaint about Lloyds' cash settlement was passed to me to decide.

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 done so, I've decided not to uphold Mr B's complaint against Lloyds about the cash

settlement it paid for the water damage.

There's no dispute about the circumstances surrounding the claim. The key issue is that although Lloyds accepted the claim and offered a cash settlement which it considered to be in line with the policy, Mr B didn't think it was a fair offer or reflective of his policy. To be clear, I haven't considered his complaint about the policy sale here. Therefore, my decision is about Lloyds' handling of the claim under the policy in place at the time.

Policy

Page 9 of the policy booklet sets out the cover available to Mr B for undamaged parts of a matching set. A fitted kitchen is considered a matching set under the buildings insurance.

Matching sets and suites

Where we've agreed to pay a claim for something that's part of a matching set or suite, we'll always do our best to match it. We'll try to repair the damaged item and, where this isn't possible, we'll look to replace it. We'll carry out thorough searches to make sure that the damaged item is replaced with a reasonable match. This may not be an exact match, but it should look reasonably similar to the rest of the set or suite. This may result in repainting kitchen doors or re-spraying a bathroom sink to match. Where we can't replace the damaged item with a reasonable match, we'll make a cash contribution of 50% towards the cost of replacing the undamaged item forming part of the same set or suite.

I'm satisfied that the policy wording under which Lloyds considered Mr B's claim is clear. Only some of the kitchen units were damaged, so I think Lloyds' offer to cover 50% of the cost of replacing the undamaged units was in line with the policy.

Replacement cost

Mr B provided a copy of the invoice for the replacement of his kitchen. The invoice total was for over £26,000. Lloyds' offer was for a little under £13,000 which was just under 50% of the overall replacement cost.

I've considered the items listed on the invoices and, having done so, I'm satisfied that Lloyds' offer is fair despite being less than 50% of the total cost. That's because Mr B's invoice includes items for which Lloyds isn't responsible, such as new taps, new tiles, and replacing freestanding appliances with integrated appliances. These items wouldn't be covered under the matching sets element of the policy because they didn't form part of the uniform nature of the kitchen units. It appears that Mr B is taking the opportunity to update and renew his whole kitchen at a time when it would already be in disarray, and that's completely understandable. But I can't fairly hold Lloyds responsible for paying to upgrade any part which wasn't damaged by the escape of water or which isn't covered under the matching sets section of the policy.

I'm satisfied that Lloyds' final offer and payment was fair and reasonable in the circumstances.

Claim handling

I've noted that Lloyds didn't consider Mr B's claim for undamaged items initially because it incorrectly believed he didn't have matching sets cover. I can understand that would've caused him frustration and inconvenience and delayed settlement of the claim. However, I think Lloyds acknowledged that in its final response and its compensation payment reflects what I would've required if it hadn't already made the payment. I see no reason to ask Lloyds to pay any more.

Overall, I'm satisfied that the evidence shows Lloyds settled Mr B's claim fairly and in line with the policy terms and conditions. Therefore, I won't be asking Lloyds to do any more in respect of Mr and Mrs B's complaint.

My final decision

For the reasons I've given above, my final decision is that I don't uphold Mr and Mrs B's complaint because the evidence shows Lloyds Bank General Insurance plc made a fair and reasonable offer to settle their claim in line with the policy.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 2 August 2023.

Debra Vaughan
Ombudsman