

The complaint

Mr and Mrs K complain about the way QIC Europe Ltd has dealt with a claim on their buildings insurance policy.

Where I refer to QIC Europe Ltd, this includes its agents and claims handlers acting on its behalf.

What happened

Mr and Mrs K made a claim on their buildings insurance after having problems with damp in their house. They have complained about delays by QIC and about the settlement offered to them.

The complaint is in the names of Mr and Mrs K as they are joint policyholders but Mrs K has dealt with the correspondence so for ease I'll mostly refer to her.

The claim was lodged on 6 December 2022 and QIC arranged for a surveyor to visit later that month.

In January 2023 Mrs K contacted QIC saying she hadn't heard anything and the damp was getting worse, with mould appearing in various places.

The surveyor attended again. He said they would need to lift the floors in the study room and this would be a second claim but Mrs K said it was all part of the same claim.

The damp had now spread to the hall and was present in five rooms.

QIC arranged for contractors to dry out the property. They said there was another leak and QIC said this would need to be a third claim.

The drying out continued during March and April 2023. In May Mrs K emailed expressing concern at the lack of progress. She said she had reported the claim on 6 December 2022 but it took four months to find one of the leaks; the three leaks were all in the same pipe and the third leak was only found after she insisted on a test being done; and all the while, damp had continued to spread

Mrs K was also unhappy that in February 2023 the contractors drying out the property said the kitchen/diner floors needed to be lifted but that was ignored – if that had been done then, she said the leak would have been found earlier.

QIC agreed that it would deal with it all as one claim.

In May 2023 QIC prepared a scope of works and offered a cash settlement but Mrs K declined this. She said she had paid for contractors to lift the floors and do other work, including a new pipe run in the walls to replace the failed run under the floor, to avoid the problem happening again. She wanted them to do all the remedial work and said the cash sum offered wasn't enough to cover this.

Mrs K complained about delays with the claim and the cash settlement offered.

QIC says it offered two different contractors but Mrs K rejected both so it offered a cash settlement for the amount it would have cost it to have the work done, which is in line with the policy terms.

Our investigator didn't think QIC had done enough to put things right. He said:

- There had been delays throughout and it had taken too long to identify the cause of the problem or put things right.
- Mrs K had to keep chasing QIC for responses.
- Given the poor experience Mr and Mrs K had been through, it was reasonable for them to want to choose their own contractors and QIC should pay the amount they needed for the contractor they had chosen to do the work.
- It wasn't clear if QIC had repaid various expenses Mrs K had incurred, so it should contact them about their expenses and resolve these urgently.
- QIC should pay compensation of £500 to reflect the distress and inconvenience caused.

QIC didn't agree and requested an ombudsman's decision. It said:

- When the leak was first identified it wasn't clear there were further leaks – that only became apparent after the drying out works had started and the house wasn't drying out.
- It accepts there were times when communication could have been better but there was an influx of claims in December 2022 following poor weather and this meant it couldn't always respond quickly.
- It offered a second contractor but Mrs K didn't accept them. It should be able to settle the claim in line with the policy terms by either providing a contractor or paying the amount it would have cost for its contractors to do the work.
- The cost of fixing the leak is not covered under the policy and would be the policyholder's responsibility.
- It paid £1,763.40 to cover the cost of putting in a temporary sink. The cost of addressing the doors is included in the scope of work and would be undertaken by its contractor.
- It would always pay the increased electricity cost for drying the property. This has not been paid, so it accepts this is outstanding.
- The payment of £500 for compensation is not justified in a case where there were many complications that delayed things.

Before proceeding with my decision I asked for further details from Mrs K of the costs she is seeking. She provided the following information:

- The electricity bill and temporary sink have now been paid, so she's no longer seeking those.
- The quote she obtained for the remedial work was £24,180 but in view of the time since that quote was provided the contractor has now provided an updated estimate for £26,040.
- They had to pay for plumbing work which was wasted as the pipe then had to be capped off at a later date.
- They have five matching doors which are damaged. QIC said it would obtain quotes for repairs but hasn't done this. She has provided a quote for these repairs of £350.
- She has extra oil and electricity costs because they are running their oil heating and electric floor heater a lot more now as the house is so cold.
- She would also now like to claim for the cost of replacing kitchen tiles that had to be removed when the temporary sink was put in, and for the cost of a radiator that was removed when the floors were taken up.

- She does not consider £500 is a fair amount of compensation for all the distress and inconvenience caused over the long period since last December.

I then issued a provisional decision saying I was minded to uphold the complaint and setting out my reasons as follows:

The relevant industry rules and guidance say insurers must deal with claims promptly and fairly; provide reasonable guidance to help a policyholder make a claim and appropriate information on its progress; and not unreasonably reject a claim. They should settle claims promptly once settlement terms are agreed.

I'd expect the settlement to put the customer, as far as possible, back in the position they were in before the loss or damage. Where repairs are being done, that means carrying out an effective and lasting repair.

The policy provides cover for this type of claim and there's no dispute about the claim being covered. The issue is how QIC has dealt with investigating the claim and arranging for repairs to be done.

The policy terms say:

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 to use our preferred contractor.

It's only where QIC can't offer a contractor to carry out repairs that it will pay the costs the policyholder incurs in getting the work done themselves.

So if the policy terms are applied strictly, Mrs K would not be entitled to claim the full cost of having her own contractors do the work, unless QIC isn't able to offer a contractor. QIC says it offered contractors to do the work but Mrs K rejected that, so its offer to pay a cash settlement for the amount it would have cost to use its preferred contractor is in line with the policy terms.

The policy terms set out the agreement between the parties and they are the starting point for considering the complaint. But I have to make a judgment on what's fair and reasonable, taking into account all the circumstances. So I've considered whether it was fair for QIC to offer the amount it would cost for its contractors to do the work, taking into account all the circumstances surrounding the way it dealt with the claim.

QIC's contractors first visited in January 2023 to investigate the cause of the leak. They returned in February when they recommended that the floors in two rooms be taken up but by April, that hadn't happened and the leak hadn't been stopped. QIC's surveyor noted that

"Due to the length of time it has taken to lift the flooring to access and repair the leak, it is difficult to establish where the damage from one leak ends and the other starts. The level of damage has also clearly increased due to the delay in drying equipment being installed."

The contractors attended again in April 2023 to carry out further investigation and it seems the floors were eventually lifted in May – three months after that had been recommended. I

appreciate it may not have been apparent initially that there were three leaks in different parts of the pipe. But QIC didn't follow the advice provided, there were delays in identifying what was going on and it missed the opportunity to identify and deal with the problem sooner.

Mr and Mrs K were without heating and had to find their own contractors on several occasions to repair the leaks at their own cost. All that time the leak was continuing and this made the damage worse. The drying out process wasn't completed until around June 2023 – six months after the claim was first made.

This meant Mr and Mrs K were left in a worse position as a result of the delays in both investigating the cause of the leaks and then dealing with it.

It wasn't just Mr and Mrs K who didn't want QIC's contractors to carry out repairs; the contractors didn't want to attend either. So QIC would have had to find another contractor anyway.

And the reason Mr and Mrs K didn't want QIC's contractors to attend is that work they had carried out had to be re-done by their own contractors.

I can understand why Mr and Mrs K lost faith with QIC's contractors, bearing in mind all the delays which, as I've said, left them in a worse position, living in damp and mouldy conditions for months after making the claim. The failure to stop the leaks led to further damage to their home and meant the amount of work needed (and therefore the cost) increased. Throughout this Mrs K had to keep chasing QIC to get the claim moving.

It was reasonable for Mrs K to expect that, having made a claim, their insurer would put them back in the position they were in before the loss – not leave them in a worse position. Where repairs are to be done, that means carrying out an effective and lasting repair. It doesn't seem that QIC or its contractors were able to offer that.

Taking all of this into account, I don't think it was fair to offer a cash sum that would not be enough to cover the cost of the works needed. In the particular circumstances of this case it would be fair to offer a settlement in line with the cost of the contractor Mrs K has found, to put the home back in the condition it was in before the damage happened.

The quote for the repairs is now £26,040. QIC may question this. But if it had settled the claim promptly the cost would not have gone up. It wouldn't be fair to leave Mr and Mrs K out of pocket as a result of QIC's delays. So I think QIC should pay this amount.

Our investigator said it wasn't clear if QIC had repaid various expenses Mrs K had incurred, so it should contact her about these expenses and resolve them. I asked for details of these costs from Mrs K, which she's now provided. If these can be settled now it would avoid the possibility of further disputes leading to a further complaint.

Some items have been paid, but she's seeking reimbursement for repairs to the doors (£350), plumbing work (£412) and additional oil heating of £50 per month. Mr and Mrs K shouldn't be left out of pocket as a result of the poor handling of the claim and so it's reasonable for these to be reimbursed. As Mrs K has provided these figures I can include them in my directions.

Our investigator asked QIC to pay £500 compensation for the distress and inconvenience caused. Mrs K has explained how distressing the whole situation has been and the impact it has had on her in particular, to the extent it affected her health, but also on her family. It's now a year since they first made the claim and by the time the work is completed it will be

over a year. A claim like this would have taken some time to investigate and deal with even if handled promptly. Mr and Mrs K would always have faced some distress and inconvenience. But there were avoidable delays that have added to the time taken and therefore added to the distress caused.

It's not my role to penalise a business – what I need to consider is how to put things right for Mr and Mrs K. Taking into account the circumstances, I consider a payment of £750 would more accurately reflect the distress and inconvenience caused.

Having set out these reasons for the conclusion I had reached, I said that I intended to direct QIC to make the following payments to put things right -

- £26,040 to cover the contactor's costs for the repairs
- £350 for repairs to the doors
- £412 for the plumbing work
- Subject to Mr and Mrs K providing evidence of their bills - £50 per month for oil heating
- £750 for the distress and inconvenience caused.

Replies to the provisional decision

Mrs K has replied, confirming that she accepts the provisional decision.

QIC has replied with the following comments:

- It agrees to make the payments for the doors and the plumbing work.
- There is a large difference between the costs of Mrs K's contractor and its own. It's willing to consider reasonable costs but it would be fair if Mrs K obtains two more quotes for comparison before it makes a cash settlement offer.
- The compensation for distress and inconvenience is based on the fact the claim has been going on for a year, but six months of this has been due to the complaint being considered by the Financial Ombudsman Service. Things have essentially been on hold during that time. It wouldn't be fair to have to pay compensation for any delay while the complaint has been with the 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.

In my provisional decision I pointed out that QIC might question that fact the costs have increased but said if it had settled the claim promptly that would have been avoided.

The same point applies in relation to compensation for distress and inconvenience. If the claim had been settled promptly in the first place, none of the later delays would have happened. QIC could have dealt with the claim at an earlier date, or made an improved offer at any point.

Mr and Mrs K shouldn't be out of pocket as a result of QIC's delays. Requiring them to find other contractors to submit further quotes would cause them more inconvenience and delay things further, with the potential for disagreement about how much should be paid once further quotes have been provided.

I don't think it would be reasonable to require that. The claim can be resolved now and in the particular circumstances of this case it's the fair the thing to do. QIC's comments don't lead me to change the conclusions I reached in the provisional decision and it remains my view that QIC should pay the amounts set out above.

Putting things right

QIC should make the following payments to Mr and Mrs K:

- £26,040 to cover the contactor's costs for the repairs
- £350 for repairs to the doors
- £412 for the plumbing work
- Subject to Mr and Mrs K providing evidence of their bills - £50 per month for oil heating
- £750 for the distress and inconvenience caused.

My final decision

My final decision is that I uphold the complaint and direct QIC Europe Ltd to make the payments set out above.

QIC Europe Ltd must pay the compensation within 28 days of the date on which we tell it Mr and Mrs K accept my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K and Mrs K to accept or reject my decision before 30 January 2024.

Peter Whiteley
Ombudsman