

The complaint

Mr B and Miss M complain that the amount U K Insurance Limited (“UKI”) offered them to settle their home insurance claim is too low.

Mr B and Miss M are joint policyholders. As most of the communication relating to the complaint has been from Miss M, I’ll refer mainly to her in my decision.

UKI is the underwriter of this policy i.e. the insurer. Part of this complaint concerns the actions of its agents. As UKI has accepted it is accountable for the actions of the agents, in my decision, any reference to UKI includes the actions of the agents.

What happened

In early 2023, Mr B and Miss M discovered an escape of water which had caused a hole in the ceiling and damage to the kitchen beneath it. Mr B and Miss M called an emergency plumber and borrowed some driers from Mr B’s employer. They then telephoned UKI to register their claim.

UKI arranged for a representative to visit the property to assess the damage. By the time of the visit, the property was dry. Mr B and Miss M had disposed of the damaged flooring and a kitchen cabinet they said had been damaged by the incident.

Miss M was asked to get a quote from a builder showing a breakdown of repairs. The builder quoted them around £60,000 which included works that weren’t covered by the claim.

UKI offered Mr B and Miss M a cash settlement of around £4,500 (less the policy excess). It said it wasn’t able to offer any settlement in respect of their kitchen units because the cabinet had been disposed of prior to claiming.

Miss M was unhappy with UKI’s settlement offer, so she raised a complaint.

UKI said it would be willing to review a quote from another contractor. Miss M obtained another quote for works UKI had agreed were covered by the claim. However, UKI didn’t agree to meet the costs quoted. It increased its cash settlement offer to £6,000 (less the excess).

Miss M remained unhappy and asked our service to consider the matter. Our investigator didn’t think her complaint should be upheld. She thought UKI’s decision to not include the kitchen units in the settlement of the claim was fair. She thought UKI’s cash settlement offer was reasonable and above what it was expected to pay under the policy’s terms.

I issued a provisional decision on 1 December 2023, where I explained why I intended to uphold Mr B and Miss M’s complaint. In that decision I said:

“I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.”

Based on what I've seen so far, I intend to uphold Mr B and Miss M's complaint. I'll explain why.

Kitchen cabinet

The policy's terms and conditions say:

"For any claim you must:

- give us any relevant information and evidence that we ask for, including proof of ownership or value of the lost or damaged item and written estimates for repair...*
- allow us (or our appointed suppliers) to access or inspect the damaged items and/or property..."*

UKI wouldn't agree to cover the cost of replacing the units in Mr B and Miss M's kitchen because there was no evidence of the damaged wall unit.

Miss M says the water had come through the ceiling onto the kitchen cabinet that was underneath it, causing it to swell and come away from the wall. It had proceeded to fall onto the washing machine, damaging the electrics and the floor.

Miss M says she hadn't realised that she needed to keep the kitchen unit that was damaged by the incident. I understand there aren't any photographs of the damaged item either.

I appreciate Miss M feels that the large gap on the wall where the cabinet had been, and the hole in the ceiling above it, should be enough to prove her loss. However, UKI has noted that the unit was solid wood which is less prone to swelling and it says it might have been able to repair the cabinet if it had been given the opportunity to do so.

UKI says it agreed to cover the cost of replacing the flooring despite this also being unavailable for inspection because it accepted it was unlikely this would have been suitable for repair.

Given what it says in the policy terms, I don't think it's unfair for UKI to refuse to cover Miss M's claim for the damaged kitchen cabinet and matching units.

Cash settlement

The policy's terms and conditions set out how UKI settles building claims. They say:

"If we can repair or rebuild the damaged part, but we agree to use your suppliers or make a cash payment, we will only pay you what it would have cost us using our suppliers and therefore the amount you receive may be lower than the cost charged by your suppliers.

If we cannot repair or rebuild the damaged part we will pay the full cost of rebuild or repair."

According to UKI's notes, its initial cash settlement offer was based on the middle quote from its three approved suppliers. Its second offer was based on the highest quote of its three suppliers, rounded up to the nearest £1,000. It added a further £1,000 for its final settlement offer of £6,000 (less the £450 policy excess).

However, this still falls below the second quote Miss M obtained for repairs which was £9,651.60.

The rates an insurer pays its approved suppliers tend to be below market rates. UKI's initial two offers were based on quotes from its own suppliers, rather than the market rate. So, it's unlikely they would have been sufficient to indemnify Miss M and Mr B for their loss.

The terms of the policy only allow UKI to limit the settlement to its own costs if it can repair or rebuild the damage using its own suppliers. UKI has confirmed that it never offered Miss M the option of having the repairs carried out by its suppliers.

I appreciate UKI added £1,000 to the highest quote for its most recent offer. However, based on what I've seen, I'm still not persuaded that this will be enough to cover the cost of Miss M having the work carried out by her own contractors.

UKI has noted that the scope on the quote provided by Miss M is the same as on its scope of works. The reason it appears to have rejected the quote was because it was higher than the quotes of its approved suppliers. However, UKI didn't offer for the work to be done by its approved suppliers. Nor did it give Miss M the opportunity to provide another quote. So, I think it would be fair for UKI to increase the cash settlement for the repairs to the amount showing on the quote (£9,651.60).

I understand that UKI is yet to pay Miss M the £150 it has agreed to for plumbing costs, so this will also need to be paid.

Miss M says they haven't been able to carry out repairs, aside from taking down the ceiling because their claim hasn't been settled. This means she and Mr B have been left in poor living conditions for a lot longer than they should have been. So, I think it would be fair for UKI to also pay them £400 for distress and inconvenience."

I set out what I intended to direct UKI to do to put things right. And I gave both parties the opportunity to send me any further information or comments they wanted me to consider before I issued my final decision.

Responses

Miss M said she had no final points to add, and she was happy with my decision. UKI agreed to accept my provisional decision.

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.

As neither party disagrees with the conclusions I reached in my provisional decision, I see no reason to change them.

Putting things right

UKI should pay Miss M and Mr B:

- £9,651.60 (less the policy excess) for the repairs and
- £150 for the plumbing costs and
- £400 for distress and inconvenience.

My final decision

For the reasons I've explained, I uphold Mr B and Miss M's complaint and direct U K Insurance Limited to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Miss M to accept or reject my decision before 2 January 2024.

Anne Muscroft
Ombudsman