

The complaint

Mr and Mrs D complain about Lloyds Bank General Insurance Limited's (Lloyds) settlement of their claim under their home insurance policy.

What happened

Mr and Mrs D made a claim under the policy they held with Lloyds, as their kitchen worktop was damaged. Lloyds sent an assessor to assess the damage. Ultimately, Lloyds accepted the claim but as its supplier was unable to repair the worktop within a time suitable for Mr and Mrs D, they asked Lloyds for a cash settlement.

Lloyds initially offered £1,850.52, less excess. This was then increased to £3,075.46. But then further increased to £3,495.20 less excess. Mr and Mrs D obtained three quotes. One was for £6,496.25. This was rejected by Lloyds as it deemed it as betterment. The other two quotes were for £2,480 and £3,592. Mr and Mrs D accepted the cash settlement of £3,495.20, from Lloyds.

However, they complained to Lloyds due to the poor handling of their claim. They also believed that Lloyds ought to increase the settlement offer, by a further £2,900, as this was the shortfall between what it cost Mr and Mrs D to repair the worktop and the cash settlement they originally accepted.

In its final response, Lloyds acknowledged that there was poor service issues, due to Mr and Mrs D receiving several quotes and paid compensation of £300. It said that under the policy terms and conditions, it would only pay what it would've cost to carry out the repair by its suppliers. It said that the highest quote submitted by Mr and Mrs D, included items that it deemed were not a like-for-like replacement. And the policy didn't cover betterment.

As Mr and Mrs D remained unhappy and had been given their referral rights, they referred a complaint to our service. They said that Lloyds hadn't been open or transparent about the costs it used.

One of our investigators considered the complaint and didn't think it should be upheld. Her view was that Lloyds had been fair to settle the claim, based on the policy terms and conditions. She also said that the compensation paid for the poor service, £300, was reasonable and in line with our services guidance on compensation. So, there was nothing further she could fairly ask Lloyds to do.

Lloyds accepted the view, Mr and Mrs D did not. They said that our investigator had missed the point, the main issue was that Lloyds hadn't been transparent in its costs it used. It said when they had asked Lloyds for a breakdown of the costs, they were given redacted information. They said that the three quotes that they had obtained, two of them were estimations and not quotes. They said that the quote that was the highest wasn't betterment and was what it actually cost to repair the worktop. So, they asked for a decision from an 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.

Having done so, I won't uphold this complaint, for much the same reasons as our investigator. I understand that this might be a disappointment to Mr and Mrs D, but I hope my findings go some way in explaining why I've reached this decision.

I've considered both parties comments, terms and conditions of the policy and the evidence both parties have provided. I think the main issue of this complaint is whether Lloyds were fair to settle the claim on the basis of the policy terms and conditions.

Mr and Mrs D said that Lloyds were not clear or transparent as to the costs it used to determine the settlement it offered. They said that the cost of replacing the worktop was the true and accurate cost, as the other two lower quotes were not actual quotations and more an estimation. They also said that the lower quotes suppliers hadn't visited their home to carry out a quote. And one of the suppliers had confirmed in writing that they would be unable to carry out the work, for the amount that they had originally estimated.

I've carefully considered all Mr and Mrs D's points that they have raised, and I'll address these in my findings.

Mr and Mrs D believe that Lloyds were less than transparent in their costs, despite their requests for a breakdown. They felt that Lloyds couldn't use data protection as a reason why it had redacted information, from the breakdown it had sent to them. Especially as the data related to their claim.

I agree that Lloyds sent a redacted breakdown to Mr and Mrs D. But I don't agree that it did anything wrong here, so I'll explain why. Our service doesn't have the power to tell Lloyds what information to redact. And Lloyds are entitled to remove commercially sensitive or breach of data information. Whilst I understand that Mr and Mrs D have said that the data relates to their claim and therefore is data on them, I don't think this is entirely correct, as this particular information would relate to other businesses and would mean that the information is commercially sensitive. And on this basis, I think Lloyds were fair to redact the information.

Lloyds said that under the policy terms, its obligation was to replace a like-for-like worktop to ensure that the policyholders were put back into the same position pre-loss. And it would only pay what it would cost them to repair the worktop. I've reviewed the policy terms and it states:

'Where we use suppliers, we might get discounts. We will use their cost to us when settling claims. What we mean is, we won't pay more than it would cost us to repair, replace an item or rebuild any part of your home.'

Based on this, Lloyds made a settlement offer of £3,495.20, which is what it would have cost them to complete the repair.

Mr and Mrs D provided a few quotations and the one that they chose to carry out the repair cost them £6,496.25. They said that this was the quote that provided them a like-for-like replacement and wasn't betterment.

I reviewed the claim notes and in particular, what Mr and Mrs D reported when they made the claim. Mr D contacted Lloyds and told them that a candle had exploded on the worktop. He described the worktop as being a *'laminate kitchen worktop with a white pattern on it'*.

Lloyds' costings were for a replacement laminate worktop, which would be a like-for like repair. However, the supplier that Mr and Mrs D eventually instructed to replace the worktop, quoted for a stone worktop, which cost considerably more than a laminate worktop.

Whilst it is correct, that Mr and Mrs D, are able to choose what product they use to carry out the repair, the policy terms only requires Lloyds to put the consumer back into the pre-loss condition. And not in a better position. By Mr and Mrs D choosing to have a stone worktop, rather than the laminate worktop that was the subject of the claim, I'm satisfied that this meant the replacement wasn't a like-for-like and was betterment, which wasn't covered under the policy.

I understand that Mr and Mrs D said that one of the suppliers they contacted was now unable to carry out the work for the cost that it had quoted. But I note that the quote they gave was dated in April 2023. And Mr and Mrs D had gone back to the supplier in November 2023. Generally, it's usual practice that any quote is valid for around 30 days. So, I don't think its unusual that a quote that had originally been given in April 2023, would still be valid seven month later.

Lloyds accepted that there were some poor service issues, namely the multiple occasions that a settlement offer was provided. It apologised for this error and offered and paid £300 for the trouble and upset this caused. I've reviewed this offer in line with our services guidelines on compensation, and I agree that it was right for Lloyds to recognise its error. I also think the amount of compensation paid, is in line with our guidelines, so I won't be asking Lloyds to increase this further.

I acknowledge Mr and Mrs D's strength of feeling about this complaint. But, in the overall circumstances, I haven't seen enough evidence to show that Lloyds acted unfairly. I'm therefore not going to tell it to do anything further here.

My final decision

For the reasons given, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D and Mr D to accept or reject my decision before 8 January 2024.

Ayisha Savage
Ombudsman