

The complaint

Mrs M complained about Zurich Insurance PLC (“Zurich”) who provided her home insurance. Mrs M was unhappy with the handling of her claim, arrangements made for alternative accommodation (AA) and misrepresentations made by Zurich.

What happened

Mrs M made a claim when her property was badly damaged from a leak originating from the flat above hers. Zurich accepted the claim, but Mrs M was unhappy with the general handling of it.

Whilst Zurich accepted that AA was appropriate for the claim, Mrs M felt that Zurich took too long to find appropriate AA and she thought her family was left living in damp and dangerous conditions for too long and less than ideal AA when it was finally arranged.

Zurich said it addressed Mrs M's issues and appointed a loss adjuster to ease the stress of the claims process. It acknowledged Mrs M was disappointed with the service provided and offered £100 in compensation as a gesture of goodwill. Mrs M thought the compensation was “*derisory*” and she thought the service she received fell well short of what Zurich had advertised.

Our investigator decided to uphold the complaint. She asked Zurich to pay an additional £350 compensation (so £450 in total) for the distress and inconvenience suffered from not been provided with adequate AA soon enough. Mrs M disagreed, so the case has been referred to an ombudsman.

My provisional decision

I issued a provisional decision on this on 14 November 2023. I said:

“I’ve read the file and there isn’t any evidence that Mrs M has complained about Zurich’s approach to repairing the damage caused to her flat. So, I won’t consider this. I will focus my decision on the handling of the complaint and more specifically the circumstances surrounding the appointment of AA and any misrepresentations Zurich may have made.

Given AA is at the heart of this complaint, I’ve considered what Mrs M should’ve expected when she made her claim. Zurich have accepted AA was appropriate, so the complaint is more about how this has been implemented.

The policy shows a special provision in section 3, which states “Temporary Accommodation – the insurer will indemnify the insured in respect of the reasonable additional costs necessarily incurred for comparable temporary accommodation including the insured’s removal expenses”. The policy clarifies this covers the whole period the property is uninhabitable or inaccessible.

Therefore, I think the policy is clear that Mrs M should’ve expected accommodation like her own, such as a similar size, facilities and location. The policy is clear that this is provided

whilst the home was uninhabitable, so Mrs M should've expected this to be provided promptly.

Mrs M has also explained that she viewed Zurich's website to further understand what she could expect. I've reviewed this information. The headline states "Zurich offers customers AA through Airbnb", with a further strapline "With 1,000 customers displaced from their home in any year, location is the key to stress reduction".

The article explains that the whole process can have a "huge impact on mental health. By offering a much wider range of accommodation, we can provide a like for like solution that is much closer to the home. Locality is a lifeline for many families. Most importantly, it's a home from home experience, not a hotel or serviced apartment which are often located in city centres, near business parks or airports. This enables us to provide the best AA we possibly can".

I think Zurich's advertisement set a clear expectation for what Mrs M could've expected. I think it's reasonable for her as one of Zurich's many customers to have expected the same service and AA facilities that have been advertised to all its customers. In other words, I'd expect Mrs M to have had the opportunity to seek AA via searching the Airbnb website and find a property like her own and as the terms state as soon as the house becomes uninhabitable (so, as soon as reasonably possible).

I've read the timeline of events and I don't think Zurich has fulfilled this expectation, so I'm intending to uphold this complaint. I'll explain why.

Zurich said it couldn't meet the expectations it set out as there were external factors outside of its control. It said it was limited on the accommodation options it could offer to Mrs M due to big events happening in the area that increased demand generally for accommodation. Zurich said it was difficult to meet Mrs M's requirements, for example a property that she could keep her pet in. Zurich said it asked Mrs M if she could find any suitable accommodation herself.

Mrs M appreciated there was issues with demand for property in the area and there is evidence she was prepared to compromise. I can see at one point she was willing to take a place with only one bedroom to avoid staying in a budget hotel which she described as very dirty. However, she was clear she needed some outside space due to her pet.

I don't think the claim was managed well by Zurich – each time Mrs M presented an opportunity, Zurich had to go away to gain separate approval from management. This delayed the process, potentially properties were snapped up in this time and it was causing frustration for Mrs M.

I can see Mrs M has been pro-active, she was in constant communication with Zurich to try and push things along and to offer options. At one point I can see she asked what the budget limit was for the accommodation, but Zurich wouldn't share this. Mrs M felt this caused wasted time as the accommodation she was looking for was never going to be approved. Zurich did finally share there was a "£300 a night benchmark".

Mrs M felt obliged to take the only accommodation that was offered to them. However, I don't think this is fair. The policy doesn't state a daily cap on AA costs, it only states an overall cap which is relative to the overall cost of the claim. However, this was never discussed with Mrs M. The policy also sets out Mrs M is entitled to similar accommodation to her own. The AA provided was a good distance from where Mrs M lived, was only furnished with single beds and was of inferior quality. Therefore, I don't think Zurich has fulfilled its obligations under the policy. Mrs M has provided evidence there were other properties that

were available, but Zurich didn't want to pay the cost.

Prior to Mrs M taking this accommodation, Mrs M has said she was forced to stay in her own home as the only option provided to her was a dirty budget hotel. Therefore, Mrs M has been living in her damp and unsafe house for this time until she could move to AA. She's not had access to running water to cook or wash. I haven't seen evidence that Zurich's process has been efficient or its governance effective to resolve this issue reasonably for Mrs M. Mrs M has constantly had to push her case to get what she received. But I think that didn't fulfil Zurich's obligations.

Mrs M has explained how this episode has placed a huge mental strain on her at a vulnerable time. I think living in these conditions would've been worrying and could potentially have caused harm to her health. I think Mrs M has been inconvenienced by having to resolve problems as Zurich wasn't moving fast enough. I think Zurich has put its own financial health above the service it has provided Mrs M and her health. I think Zurich has failed Mrs M at the time she needed its help the most, I don't think it has handled the claim well. Zurich caused delays in Mrs M moving out of the damaged property which ultimately lengthened the time she couldn't live normally in her own home.

So, I intend to uphold this complaint. Mrs M needed AA for a long time, so the impact of it not been provided effectively has had a long-lasting impact on day-to-day activities. The AA offered wasn't comparable in standard to her own home. She also had 17 days where she stayed in her own damp house. For the reasons, I've already set out I think this will have taken a toll on Mrs M. I think the impact was greater due to her vulnerable circumstances. There has been serious disruption to daily life over a sustained period, so I'm intending to increase the compensation by £900 (to £1,000 in total) for distress and inconvenience. This is a high award for our service to give, but I think it is fair in these circumstances.

Mrs M is also covered for any removal costs when she moved into AA, so if she hasn't claimed these yet then I'd expect these to be considered by Zurich. Additionally, as her AA was a long way from her own home, I think it's fair Mrs M is reimbursed any travel costs. Therefore, I intend Zurich to consider these costs and reimburse on this basis, provided Mrs M provides receipts or reasonable evidence of these expenses. Whilst Mrs M lived at home / in the budget hotel, she was without running water, so wouldn't have had cooking facilities. Therefore, I intend Zurich to reimburse any costs of eating out during this period (provided evidence is provided)".

Responses to my provisional decision

Zurich didn't specifically say whether it accepted or rejected my decision. Zurich said Mrs M hadn't provided her bank details, so it needed these before it could pay the compensation. Zurich said it had paid some removal expenses for a man and a van that had been submitted by Mrs M.

Zurich said Mrs M never moved into the budget hotel but said it paid a disturbance allowance amounting to £1,080 whilst Mrs M's home was uninhabitable. It said Mrs M had the use of cooking facilities whilst at home, just no running water. Zurich said Mrs M had access to cooking facilities once she moved to a serviced flat.

Mrs M didn't accept my findings in full. She felt the compensation should've been much higher (around £5,000) as she said that's what Zurich would've paid for AA if it had provided it properly. She thinks by offering lower compensation, Zurich would be encouraged to provide a poor service to all its customers.

Mrs M said her family were out of their home for four months while the repairs have been

carried out to her home. She thinks this should be reflected in higher compensation

Mrs M reinforced her position that she felt that Zurich's contractors failed when providing a satisfactory service to her.

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 haven't heard any new information that has persuaded me to change my original decision.

Zurich have confirmed Mrs M never moved into the budget hotel. However, I don't think Zurich can say Mrs M had cooking facilities whilst she stayed at home if she also didn't have running water. I don't think it would be possible to cook and clean up without running water.

I think it's fair, if Mrs M does submit any further expenses supported by reasonable evidence that Zurich should reimburse these.

I've considered Mrs M's request for further compensation. Although she was out of her home for a long time. Most of this time was caused due to the incident claimed for. This wasn't the fault of the insurer. With any claim there will be inconvenience suffered, but I can only ask Zurich to compensate Mrs M for problems it caused.

Our service has an approach to compensation, which considers how much distress and inconvenience was caused. We have a framework of awards based on different levels of impact. Our awards don't consider how much it would've cost Zurich if it had done something else. That's not how we approach things. I think the award I have set-out is consistent with our framework, so I won't be changing the award. It considers all the failings I set out in my provisional decision.

My final decision

My final decision is that I uphold this complaint. I require Zurich Insurance PLC to:

- Pay Mrs M £900 compensation – for distress and inconvenience (Zurich should also pay the original £100 it offered if it hasn't already done so). Mrs M will need to provide Zurich her bank details to allow Zurich to do this.
- Reimburse removal costs when moving to and from AA (based on reasonable evidence).
- Reimburse travel costs when living in AA (based on reasonable evidence).
- Reimburse costs of eating out whilst living at home (based on reasonable evidence).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 1 January 2024.

Pete Averill
Ombudsman