

The complaint

Mr K complains China Taiping Insurance (UK) Co Ltd (“CTI”) has treated him unfairly by declining to carry out further repairs following a previous claim for subsidence on his property insurance policy.

Any reference to CTI includes its agents.

What happened

Mr K took out a property insurance policy in June 2018 covering his buildings and contents. Later that year, he submitted a claim for subsidence as he noticed cracks had appeared in his walls. CTI accepted the claim and said the movement was caused by vegetation to the side of the property which had led to shrinkage of the clay ground. It removed the vegetation and arranged for the property to be monitored for around a year, after which point, it was satisfied there was no further significant movement. So it authorised for repairs to take place. By the time the repair work started, the term of Mr K’s policy ended and he took out a new policy with a different insurer.

Although CTI sourced a contractor to quote for and carry out the repairs, the works didn’t go ahead due to the Coronavirus pandemic. And once it was safe to proceed, the contractor was no longer willing to carry out the work. Mr K says CTI asked him to find another contractor in order to speed things up as it didn’t have a preferred contractor.

Mr K found a contractor who I’ll call “DM” and CTI accepted their quote for the repairs. CTI paid DM the repair costs directly but around 7 December 2020, it asked Mr K to sign a form confirming he accepted around £31,000 – which was the cost of the repairs – in full and final settlement of his claim. CTI’s given us internal emails and correspondence with Mr K where it gave some instructions on how the contractor should carry out the repairs.

The repairs were finished around December 2020. But in March 2021, Mr K says he discovered further cracks in his walls. After investigation and monitoring, CTI said these cracks were a result of poor workmanship by DM and not further subsidence. It suggested Mr K either pursue DM to fix the problems or make a claim on his policy with his new insurer.

DM refused to carry out any further work as they said they did the repairs in line with the scope they were given by CTI. Around July 2022, CTI told Mr K it would cover replastering, associated redecoration and some render repair outside the property. But, following some discussion between the parties about what rendering was previously repaired, it’s unclear whether this offer remained open. As Mr K thought CTI should cover all of the repairs, he made a complaint to our service.

Two Investigators looked into this complaint. They both thought the case should be upheld and CTI should repair Mr K's property. They said they were satisfied the damage was connected to the previous claim which showed the original repairs weren't effective and lasting. And they thought there was enough evidence to suggest DM had carried out the work as CTI's agent. CTI didn't accept what our Investigators said. It said it cash settled the claim and therefore it had no more responsibility or involvement. As the complaint wasn't resolved, it 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.

Based on everything I've seen, I am upholding this complaint. I'll explain why.

When an insurer settles a claim by repair, I would usually expect to see it's carried out an effective and lasting repair. Both parties in this case accept there is further damage to Mr K's property which has been caused as a result of poor workmanship. So the original subsidence repairs couldn't have been effective and lasting. But the matter in dispute here is whether CTI is responsible for the repairs that took place.

CTI doesn't think it's responsible for the repairer or the repairs because it says it cash settled the claim. Insurers can generally decide how to settle a claim. But this is a subsidence claim which included a fair amount of work. Mr K seems to have had no prior relationship with DM and only suggested them as they were local, available and CTI didn't have a preferred contractor to instruct. So I don't think a cash settlement was a fair choice for CTI to make in this case.

Whilst I accept Mr K found DM, it seems he did so at CTI's request because it was struggling to find a local contractor who could do the work – and not because he wanted to choose or control the contractor himself. And, I don't think CTI's only involvement was to pay DM's bill as I can see from its email to Mr K around 20 October 2020, it gave instructions on how it should carry out the repair. I can also see CTI paid DM directly rather than paying Mr K the funds for him to pay the contractor.

Whilst I appreciate Mr K signed a form of acceptance confirming he had received funds in full and final settlement of the claim, I haven't seen anything suggesting CTI made it clear to him what this meant – that it wouldn't be liable for the repairs and wouldn't have any further involvement if there were problems. So I'm not satisfied Mr K would've understood that was what he was agreeing to. And I think that's evidenced by his expectation that CTI would put things right or pursue DM when he noticed further cracks the following year.

I appreciate CTI has highlighted that Mr K's policy is a "perils" policy rather than an "all risks" policy. But I don't think that makes a difference in this case as any repairs carried out should still be effective and lasting.

Putting things right

To put things right in this case, I think CTI should arrange an effective and lasting repair of all of the outstanding damage caused by the poor workmanship carried out during the subsidence claim.

My final decision

For the reasons I've given, I uphold Mr K's complaint and direct China Taiping Insurance (UK) Co Ltd to put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 11 January 2024.

Nadya Neve
Ombudsman