

## The complaint

Ms L has complained about the amount Royal & Sun Alliance Insurance Limited (RSA) has paid in settlement of her claim under her home insurance policy for damage to an underground pipe in her home.

Ms L dealt with a separate business who acted as RSA's claim handling agent, but for the sake of ease I've just referred to RSA throughout this decision.

## What happened

Ms L called a plumbing and drainage company, who I'll refer to as P, to come and investigate damp on a wall at her home after having a damp expert inspect it and suggest it was likely to be due to a leaking pipe. P established it was due to a leaking underground sewage pipe five feet below the ground immediately underneath Ms L's house. Ms L called RSA and its claims adviser said it would arrange for a company, who I'll refer to as C, to contact her in the next 24 hours. Ms L has said that she was also told it would be three to five days before C could actually come out. Ms L asked if she could go ahead regardless. RSA's claim adviser told her she could, but RSA could not promise it would cover the claim or how much it would pay out if it did. Ms L decided to allow P to continue with the work required to expose the pipe and fully establish the cause of the problem. She also decided to allow them to carry out the repairs needed to the pipe and the floor of her home. She got other contractors to carry out redecoration work and reinstate the floor covering. Ms L has said RSA said it would send a loss adjuster round to review what was going on.

RSA actually sent two drainage engineers from C to look at what was happening while P was carrying out its investigation work. They were at Ms L's home for just under two hours and saw the leaking sewage pipe, as part of it had been exposed by P. They also saw the camera images from further down the pipe. Ms L has said the engineers didn't take any notes, but advised her that for insurance purposes she would need to have a manhole built inside her property; so the pipe could be more easily accessed in future. She's said they then told her to allow P to continue to access the pipe and that they would provide her with a report. Ms L has further explained that they did not say C would be happy to take over from P; instead they simply left. Ms L kept RSA informed of the works and she chased C for a report from its engineers. She finally received a report from C (but not from its actual engineers) after the works were complete, which listed out the work it thought would have been required and what it would have cost if it had carried it out.

After P had finished the works, including reinstating Ms L's floor, she submitted copies of its invoices to RSA totalling £44,836.02. She also submitted separate invoices for the redecoration work and the floor covering. RSA made two payments to Ms L. One for redecoration and floor covering of £6,386.3. And one of £4,865.28 for the repairs to the pipe, installation of the manhole cover and reinstatement of the floor.

Ms L was very unhappy with the payment for the works carried out by P and complained to RSA. She explained that she would not have had the manhole cover installed if C's engineers hadn't said it was needed. And she thought it very unfair that RSA was now refusing to pay anything for this. RSA wouldn't alter its position, as it felt what it had paid was

fair.

Ms L asked us to consider her complaint. One of our investigators did this. He didn't think it should be upheld. He didn't think there was sufficient evidence to say that C's engineer advised Ms L to have the manhole installed. He also said it was not surprising RSA had paid less than P charged Ms L to carry out the works to her home.

Ms L was not happy with the investigator's view and asked for an ombudsman's decision.

I issued a provisional decision on 29 November 2023 in which I set out what I'd provisionally decided and why as follows:

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

*Industry rules set out by the regulator (the Financial Conduct Authority) say insurers must handle claims fairly and shouldn't unreasonably reject a claim. RSA also needed to provide Ms L with clear, fair and not misleading information. I've taken these rules, and other industry guidance, into account when deciding what I think is fair and reasonable in the circumstances of this complaint.*

*Having done so, I've provisionally decided to uphold it and make RSA pay the difference between what Ms L paid for the works to repair her pipe and reinstate her floor and what RSA has already paid. I've explained why below.*

*When Ms L first contacted RSA about the leak in her home and asked about going ahead with P regardless, I don't think RSA's claims adviser provided her with clear, fair and not misleading information which enabled her to make an informed decision on whether to wait for RSA's contractor to attend, investigate further and carry out any work required covered by her policy or go ahead with P. I say this because the adviser simply said she couldn't promise RSA would cover the works or how much it would pay. This meant Ms L knew the works might not be covered, but I do not consider it left her with any idea that, if they were, there could be a big difference between what RSA's contractor would charge and what a commercial contractor carrying out private works for her would charge. And she couldn't have realised that because of the terms of her policy, RSA would normally want to exercise its option to carry out repairs. And, if Ms L would not allow it to do this, it would only pay what it would cost for its contractor to carry out the works. I consider it was good industry practice for the adviser, as a frontline claims handler, to explain all this to Ms L. She would then have realised there could be a significant risk for her financially if she carried on with P.*

*I also think C's engineers should have explained to Ms L that C could take over from P if she wanted it to and that this could potentially save her being left having to fund part of the repairs herself due to the difference in rates. As well as this, I am persuaded by Ms L's testimony that it was C's engineers who suggested she needed to have a manhole cover installed in her hallway as part of the reinstatement work, as opposed to it being something P suggested. I say this because Ms L has been consistent on this from the outset and I have not seen anything from C's engineers specifically that refutes this. In fact, I am very surprised that RSA doesn't appear to have obtained anything at all directly from the engineers who actually visited Ms L's property; and has instead relied on what I consider to be a very brief report from C.*

*In view of what I've said, I spoke to Ms L and asked her what she'd have done if she understood the terms of her policy allowed RSA to opt to repair, that any payment it made would be limited to what one of its contractors would charge and that this could be considerably less than a private contractor like P would charge. And she explained to me,*

*that if she had known this, she'd have waited the three to five days RSA had said it would take for them to send a contractor out. And she'd have allowed RSA to appoint its contractor to carry out any works required and pay for it. I'm persuaded this is what she would have done, as she also explained to me that at the point she spoke to RSA there was not much of a smell in her home and it was really just the fact damp had been discovered. And it seems that whilst she'd have known it was due to a leaking sewage pipe, which needed addressing, it was not something that meant there was a risk of further significant damage in the short-term.*

*This means that – in my opinion - RSA's claims agent's failure to explain things clearly to Ms L has clearly prejudiced Ms L's position. This is because if she hadn't allowed P to continue and carry out the works required; she would not have been left having to cover the large difference between what it charged and what RSA has paid her. And, if C's engineers had been as clear as they should have been with Ms L, she would not have ended up with a manhole in her hallway and having to pay for it and would have switched to using C at this point.*

*It therefore follows that I consider the fair and reasonable outcome to Ms L's complaint is for RSA to put right the prejudice caused to Ms L by its failings and pay her the difference between what it has paid her for the works to trace and access the pipework under her home, repair it and reinstate everything including her floor and what she paid P for this. As I understand it, this will mean RSA needs to make a further payment of £39,970.74. This is calculated by taking the total of the invoice amounts Ms L paid to Pimlico (£44,836.02) and subtracting the £4,865.28 RSA has already paid for the works. RSA will also need to pay interest on the amount due to Ms L to compensate her for being without these funds. For the sake of ease, I think it's fair to make RSA pay this from the date Ms L made her final payment to P to the date RSA pays her the amount due. Interest should be at 8% per annum simple.*

*I'm not going to make RSA pay anything further for the redecoration work and the reinstatement of the hall flooring carried out by Ms L's contractors, as she has not raised this as part of her complaint to RSA or with us. Also, she has said she is broadly happy with what she received for these things.*

*I also consider that RSA's poor handling of Ms L's claim has caused her a great deal of distress and inconvenience. She's been left having to cope with a large outlay without any idea of whether she would get this back and the frustration of knowing it was C's engineers who advised her to have a manhole installed in her home, which she never really wanted. So I think a compensation payment of £500 for distress and inconvenience is appropriate.*

I gave both parties until 13 December 2023 to provide further comments and evidence in response to my provisional decision.

Ms L has responded to say she has no further comments or evidence to provide. RSA has responded and provided the following comments:

- It has referred to the policy wording which sets out that the maximum it will pay is the lesser of what the work to Ms L's home would have cost if it had been carried out by its nominated contractor or a competitive estimate or tender from Ms L's nominated contractor.
- When Ms L contacted it originally she was asked to get an estimate for trace and access. And subsequently informed it that she intended to proceed. And was told this was at her own risk and RSA could not confirm liability or quantum at the time.
- When C attended the drain repairs had been completed on the authority of Ms L. And C merely inspected the works and provided a report.

- C did not authorise the work to install the manhole cover. It has said at the time of the inspection the manhole had been installed and only surface repairs were outstanding.

### **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 doing so I've considered RSA's further comments, but they do not alter my view as to the fair and reasonable outcome to Ms L's complaint. I've explained why below.

The main problem with RSA's approach in this case was the conversation Ms L had with its claims adviser when she said she intended to proceed with the works required. As, I explained in my provisional decision, I don't think the adviser followed good industry practice and made it clear to Ms L that if she did proceed what RSA paid could be significantly less than she was likely to be charged. RSA has not commented at all on this point; so my view on it hasn't changed. And I think if the adviser had been as clear as she should have been Ms L would not have proceeded with P.

I do not agree with RSA's point that when C's engineers attended the drain repairs had been largely completed and the manhole cover installed. I accept Ms L's testimony that at the point they attended P had exposed the sewerage pipe and that it was C who advised Ms L she needed to have a manhole cover installed. It also remains my view that C could and should have told Ms L it was willing to take over from P, but failed to do so.

I appreciate what the policy wording says, but it does not alter my view on the fair and reasonable outcome to this complaint. This is because it was poor claim handling by RSA and its agents that led to Ms L paying a lot more for the work than RSA would have paid if its contractor had done it. So, it wouldn't be fair to limit the payment in line with the policy terms when it was RSA's errors that led to Ms L paying what she did.

### **Putting things right**

It therefore follows that for the reasons set out in my provisional decision and above, I still think the fair and reasonable outcome to this complaint is for RSA to put right the prejudice caused to Ms L by its failings and pay her the difference between what it has paid her for the works to trace and access the pipework under her home, repair it and reinstate everything including her floor, and what she paid P for this.

This will mean RSA needs to make a further payment of £39,970.74 to Ms L. And I set out how I calculated this figure in my provisional decision. And neither party has challenged it. For the sake of ease, I think it's fair to make RSA pay interest on this amount from the date Ms L made her final payment to P to the date it pays her the amount due. Interest should be at 8% per annum simple<sup>1</sup>.

I also consider that RSA's poor handling of Ms L's claim caused her a great deal of distress and inconvenience. She's been left having to cope with a large outlay without any idea of whether she would get this back and the frustration of knowing it was C's engineers who advised her to have a manhole installed in her home, which she never really wanted. So

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<sup>1</sup> RSA must tell Ms L if it has made a deduction for income tax. And, if it has, how much it's taken off. It must also provide a tax deduction certificate for Ms L if asked to do so. This will allow Ms L to reclaim the tax from His Majesty's Revenue & Customs (HMRC) if appropriate.

I think a compensation payment of £500 for distress and inconvenience is appropriate.

**My final decision**

I uphold Ms L's complaint and order RSA to do what I've set out above in the 'Putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 15 January 2024.

Robert Short  
**Ombudsman**