

The complaint

Mrs H complains about U K Insurance Limited, trading as Natwest One Home Insurance (“UKI”) and the decision to decline her claim for alternative accommodation (“AA”) costs following a fire at her flat.

Mrs H has been represented during the claim and complaint process by an independent loss adjuster, who I’ll refer to as “R”. And R was appointed by Mr C, who holds Enduring Power of Attorney to take decisions on Mrs H’s behalf. As both Mr C and R have been acting on behalf of Mrs H, for ease of reference I will refer to any actions taken, and comments made, by them both as “Mrs H” throughout the decision.

What happened

Mrs H held a contents insurance policy, underwritten by UKI. This policy was held alongside a separate building insurance policy in place to insure her property, which was a leasehold flat. The buildings insurance policy was underwritten by a separate insurer altogether, who I’ll refer to as “Z”.

Unfortunately, in April 2021, Mrs H’s flat was deemed uninhabitable due to significant damage caused by a fire. So, due to Mrs H’s age and needs, following her release from hospital she moved into a nursing home while the repairs to her flat were completed. These repairs were completed in December 2021, but Mrs H remained in the nursing home and the flat was sold a short time later.

During this process, Mrs H made a claim on her contents insurance policy with UKI. Part of this claim related to the costs of the AA she incurred residing at the nursing home, while her flat was repaired. But UKI declined this aspect of the claim, stating that as AA had already been claimed for against the buildings insurance policy provided by Z, they didn’t think they were responsible for reimbursement of the AA costs. Mrs H was unhappy with this, so she raised a complaint.

Mrs H felt the AA section of the policy provided by UKI was worded more favourably and included a higher insured limit. So, as Mrs H’s contents were damaged during the fire, she felt she should be able to claim on her content policy for AA costs she incurred, irrespective of whether she’d claim for these costs through another claim with Z.

UKI responded to the complaint and didn’t uphold it. They thought the flat was uninhabitable due to the damage caused to the building, rather than the contents. So, they thought any reimbursement of the AA costs Mrs H incurred would be the responsibility of Z and not themselves. Because of this, they thought their decision to decline this aspect of the claim was fair and they didn’t think they needed to do anything more. Mrs H remained unhappy with this response, so she referred her complaint to us.

Our investigator looked into the complaint and didn’t uphold it. They explained our service’s approach in similar situations is that, where a property has been deemed uninhabitable due to damage to the building itself, we’d expect the buildings insurer to take the lead and manage the AA claim. So, as Mrs H had made an AA claim with Z, the buildings insurer,

they thought UKI's decision to decline the AA aspect of the claim she made with them directly was a fair one. And because of this, they didn't think UKI needed to do anything more.

UKI agreed and provided no further comments. But Mrs H didn't agree. She didn't think the fact a claim had been made on the building insurance provided by Z, which was held in the management company of her buildings name, should have any impact on the claim she made with UKI. And she maintained the wording of the policy provided by UKI, and the limit it included, was more favourable to her. So, she felt she should be able to claim on both policies and because of this, she thought UKI should reimburse her the costs she incurred, up to the policy limit plus interest to recognise the length of time she'd been without access to these funds. As Mrs H didn't agree, the complaint has been passed to me for a 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.

Having done so, I'm not upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

First, I want to recognise the impact this complaint has had on Mrs H. I recognise Mrs H's flat was damaged in a fire that was caused through no fault of her own. And I appreciate the significant upset and inconvenience this would've caused Mrs H, which no doubt would've been made worse by Mrs H's vulnerabilities and her caring needs. I also recognise Mrs H took out the insurance policy with UKI to help assist her both practically and financially in situations such as the one she found herself in. So, when UKI declined to accept the AA aspect of Mrs H's claim, and this left Mrs H at a financial loss, I can understand why she'd feel unfairly treated and raise a complaint with the goal of ensuring UKI overturned their original decision.

But for me to say UKI should do something differently, such as accept the AA aspect of the claim, I first need to be satisfied they've done something wrong. So, I'd need to be satisfied UKI acted unfairly and unreasonably when declining the claim. And when deciding this, I've taken into consideration the terms of the policy, standard industry approach and what I think another insurer would most likely have done, in a similar situation.

I've seen the terms of the policy UKI provided. And I'm satisfied that AA cover is included within these. I also recognise why Mrs H feels the policy is more favourable to her, based on the policy term which explains "*Alternative accommodation where appropriate will be reflective of the individual's needs*" considering Mrs H felt it necessary to go into a nursing home, rather than a flat similar to the one that was damaged in the fire.

But I do have to consider the fact Mrs H had access to separate buildings and contents insurance policies, due to her flat being a leasehold property. In situations such as this, our approach, which falls in line with what is expected of the industry, states that we would expect the buildings insurer to take the lead and manage the AA claim. And when doing so, the buildings insurer would have the option of obtaining an appropriate contribution from the content insurer in the background.

This is because in general, a property is usually deemed uninhabitable due to repair work required to the building itself. While this isn't always the case, I'm satisfied it is in this individual circumstance, as it appears there were several flats damaged in the fire that

deemed Mrs H's flat uninhabitable. So, while I've no doubt the contents of her flat were also damaged in the fire, I don't think it was the replacement of these contents that rendered the flat uninhabitable. Instead, I think it was most likely the damage to the building itself. And, as Z were responsible for managing the repairs to the building and how long this process would take, I think it is Z who is responsible for reimbursing the AA costs, as their repair work directly impacted the length of time Mrs H was in AA.

So, in this situation, I think the AA claim and the way it was settled was ultimately the responsibility of Z, and not UKI. And it's been confirmed by Mrs H that Z has settled Mrs H's claim for AA costs, but at a much lower amount than she feels is fair.

While I appreciate Mrs H's unhappiness with the way Z settled her claim, this would be a separate issue that would need to be investigated separately. And importantly, I don't think UKI are in any way responsible for this decision or Z's decision not to work with UKI when settling the claim as they did.

And I don't think Mrs H's unhappiness with the offer made by Z means UKI should then accept the AA claim she's made with them separately. While I do appreciate the wording of Mrs H's policy with UKI may appear to be worded more favourably, with a higher policy limit, I don't think this alters the fact that it wasn't damage to Mrs H's contents that was the primary reason for the flat being uninhabitable. So, as per our service's approach and that of what is expected across the industry, I don't think I can say UKI have acted unfairly, or unreasonably, when declining the AA aspect of Mrs H's claim on this occasion. And so, I don't think they need to do anything more.

My final decision

For the reasons outlined above, I don't uphold Mrs H's complaint about U K Insurance Limited trading as Natwest One Home Insurance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 12 September 2023.

Josh Haskey
Ombudsman