

The complaint

Mr H complains about the time it took his home insurer, now called Fairmead Insurance Limited (Fairmead) to pay the settlement for a claim.

Any reference to Fairmead in this decision includes its agents.

What happened

Mr H made a claim on his home insurance policy in mid-June 2019, after flood water entered part of his home. A loss adjuster considered the claim. Mr H says that the loss adjuster told him to begin replacing some of the flood damaged items as soon as they'd been looked at.

On 16 August, Mr H and the loss adjuster agreed a cash settlement of £30,000 for the claimed damage to the house and the costs incurred replacing flood damaged items. Mr H, expecting the money to be paid quickly, paid a £2,000 non-refundable deposit to a builder later that day. A letter from the builder confirming receipt of the payment said work would start on 9 September.

But Fairmead questioned the loss adjuster's report, and wouldn't pay the settlement until they were sure it was correct. Mr H became frustrated by this delay, and by what he felt was a lack of updates from Fairmead. He raised his complaint.

Mr H couldn't pay his builder the rest of the money needed for the work, or give him a date when he'd have the money from Fairmead. This led to Mr H and the builder parting ways. That meant Mr H lost the £2,000 deposit that he'd paid. Mr H also began to struggle to pay his mortgage, given he'd spent his own money replacing the flood damaged items ahead of the settlement.

Fairmead paid the settlement in two parts – the majority on 23 September, and the rest on 22 October. This was still £180 less than had been agreed, so a third payment was made during the complaint handling process.

In response to the complaint, Fairmead agreed it'd taken too long between the loss adjuster agreeing the settlement and this being paid to Mr H. They offered £300 to compensate Mr H for the frustration and inconvenience caused, but felt that the lost £2,000 deposit wasn't linked to their failing. They said this was a matter between Mr H and his builder.

Mr H didn't agree, so the matter came to us. Our investigator found that the lost £2,000 deposit was linked to Fairmead's failing, as Mr H probably wouldn't have paid this when he did if the loss adjuster hadn't led him to think the settlement would be paid earlier. The investigator also felt the £300 compensation was right for the upset and inconvenience caused.

Fairmead didn't agree with this finding, saying again that they didn't think they should be responsible for the lost £2,000 as this was a matter between Mr H and his builder. Mr H was originally willing to accept the investigator's findings, but when the matter wasn't resolved he said he felt the compensation for the trouble and upset caused wasn't high enough.

As the matter hasn't been resolved by our investigator's view, it's come to me for a final 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've decided to uphold Mr H's complaint. I'll explain my decision, and why this leads to a remedy where Fairmead pays Mr H £2,300 compensation, plus some interest.

I've looked at the emails from the loss adjuster to Mr H, and listened to the recordings of phone calls between them. From these, I find Mr H was given an expectation that the settlement of his claim was agreed on 16 August 2019, and there'd be no further need to justify the amount.

While I can't see any expectations were set about when the payment would be made, I note Mr H's comments that the loss adjuster had already told him to replace his damaged contents. I think that set an expectation that payment would be relatively quick – probably within a week or two of being approved. I also think generally a customer can expect payment of an insurance settlement to be made promptly after it's agreed. And I can't see Fairmead gave any warnings that payment of the agreed amount was going to be delayed in Mr H's specific case.

So I can understand why Mr H was expecting the payment to be made promptly after the settlement terms were agreed on 16 August. An expectation of payment by the end of August would seem reasonable to me. A prompt payment such as this is also the expectation set out in the Insurance: Conduct of Business (ICOBS) section of the Financial Conduct Authority's handbook for regulated businesses.

The correspondence after that date shows me that the delay settling the claim arose because Fairmead weren't happy with the report the loss adjuster had given them. I can appreciate Fairmead wanted to be sure the claim was being paid out correctly. But the delay that caused affected Mr H.

I find the delay was handled unreasonably by Fairmead, falling short of the further expectation in ICOBS that they'd provide appropriate information on the progress of the claim. Mr H contacted Fairmead repeatedly in September 2019 seeking an update and explaining the troubles he was having because the claim hadn't been settled as agreed. Fairmead should have done more to give him a firm timescale for sorting out the problems with the claim handling. And they should have done more to proactively update Mr H, rather than waiting for him to call seeking an update.

Putting things right

The delay and poor communication had two types of impact on Mr H – a financial loss and an emotional impact. I'll look at the financial loss first.

Mr H has sent us two letters the builder he paid wrote in August 2019, and a copy of his bank statements from the time. These show me Mr H paid £2,000 in cash to the builder on 16 August, as a non-refundable deposit, for work to repair the flood damage.

I appreciate Fairmead feel the loss of that deposit doesn't link to their failings, but I disagree. The delay paying Mr H the agreed settlement meant he didn't have the money he needed to

pay the builder the rest of what was needed when work was due to start in early September. That meant Mr H couldn't uphold his side of the agreement, so the builder appears to have cancelled it and kept the deposit. Had Fairmead not delayed paying Mr H's claim, he could have afforded to pay the builder, and the deposit wouldn't have been lost.

I've thought about whether Mr H should have done more to agree a delay to the work with the builder. But I find that Fairmead's lack of information setting out a firm timescale for when the settlement would be paid made this too difficult for Mr H to do. I can appreciate the builder wouldn't have kept refusing other work in order to wait for Mr H, when he couldn't give any firm dates for how long that wait would be.

I've also thought about whether Mr H could have done more to go back to the builder to try to salvage their agreement after receiving the first instalment of the settlement at the end of September. But I appreciate how the stress of the dispute with the builder, and by that time with Fairmead too, made this step too difficult as well. I also accept Mr H's statements that the relationship with the builder had broken down quite badly and couldn't be recovered, given the dispute that had arisen.

So I find Mr H shouldn't have to bear the £2,000 loss, when it arose from Fairmead's failure to pay the agreed settlement in a prompt and reasonable way. Fairmead should bear the loss instead, to put right the impact of their failing. They should also pay simple interest on this sum, at the statutory 8% per year, from the date the deposit was lost. I've taken this to be 9 September 2019, when the work had been due to start.

If Fairmead considers it's required by HM Revenue & Customs to take off income tax from the interest, it should tell Mr H how much it's taken off. It should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Moving on to the emotional impact, it's clear from Mr H's calls and correspondence with Fairmead at the time that the delay paying him the agreed settlement caused frustration and upset.

In addition, Mr H has described how he had to use credit cards and was left struggling to afford his mortgage when the reimbursement for the replaced flood damaged items was delayed. He's also said that the delay starting repairs left him worried the damage to his property would get worse. And Mr H has spoken to us about a health condition he was, and still is, dealing with. He's described his experience with Fairmead and the dispute with the builder as an unwelcome stress on top of that condition.

I've decided some compensation should be paid to acknowledge that emotional impact on Mr H. Picking an exact amount is a matter of opinion, but I've factored in the details above. I've also taken account of the fact the delay lasted a limited amount of time – settlement was paid within a couple of months of when Mr H was expecting it to be. And I've considered how some of the upset will be put right once the lost deposit is reimbursed by Fairmead.

In my view, a figure in the hundreds of pounds, not the thousands, feels right for this case. Fairmead offered £300 in this case, which I've decided to award as the remedy for the emotional impact caused to Mr H. When coupled with the compensation for the financial loss, plus the interest on that amount, the combined remedy amount is suitable taking into account the overall impact on Mr H.

My final decision

I uphold Mr H's complaint about Legal & General Insurance Limited, and direct them to carry out the following steps to put things right:

- Pay £2,000 to Mr H to reimburse the lost deposit amount.
- Pay simple interest at 8% per year on that amount, for the period from 9 September 2019 to the date that payment is made.
- Pay £300 to Mr H to compensate him for the trouble and upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 27 October 2020.

Paul Mellor
Ombudsman