

The complaint

Mr and Mrs M complain about esure Insurance Limited's settlement of their home insurance claim for fire damage.

What happened

There was an electrical fire inside Mr and Mrs M's consumer unit/fuse board in July 2019. None of the sockets at Mr and Mrs M's home were working after the fire so they called an electrician to inspect. He noted that the fire had caused irreparable damage to the fuse board and surrounding cabling. He said the fuse board would need replacing. He said the unknown extent of the damage to surrounding cabling was of concern and couldn't vouch that the cabling throughout the rest of the property remained safe. He recommended the property be fully rewired to current standard BS7671.

A second electrician also attended. He noted that some of the cabling in the fuse board was insulated in fabric so he thought the wiring was over 50-years old. He carried out insulation tests and found the cables had poor insulation resistance. He thought the electrical installation/wiring was in an extremely poor condition due to the fire inside the fuse board. The electrician removed the 'meter tails' from the fuse board so it couldn't be re-energised and recommended the property was rewired before installing a new consumer unit/ fuse board. He said he didn't recommend a new consumer unit should be fitted to the existing installation/wiring.

As there'd been a fire and they were without any electrical supply to their home, Mr and Mrs M made a claim to esure. It appointed a loss adjuster to validate the claim. The loss adjuster told Mr and Mrs M over the phone that it was the old wiring that had caused the damage so there was no cover under the policy for their claim. Mr and Mrs M contacted esure and after a few days esure spoke to one of the electrician's who'd attended who confirmed there had been a fire. esure reopened the claim and agreed to investigate it.

The loss adjuster visited the property a few days later. In the meantime, esure placed Mr and Mrs M and their family into alternative accommodation which it kept under weekly review. The loss adjuster noted smoke damage and melted wires within the consumer unit but no damage to the rest of the property. As he was unable to confirm a fire had occurred, he instructed a forensics expert to determine the cause of damage and esure's liability was left pending until a report was received. The loss adjuster did report to esure that at first glance it appeared Mr and Mrs M's electrics weren't up to current UK regulations and that to bring Mr and Mrs M's electrics up to UK standards a full rewire of the property would be necessary which would amount to betterment.

The forensic expert reported to esure that he'd spoken to both electricians that had attended after the fire. He also confirmed that there was evidence of a small fire that originated within, and was confined to, the fuse board. He said the melting damage to the fuse terminal and to parts of the casing of the fuse board were consistent with electrical 'arcing' activity occurring within the fuse board. Such 'arcing' activity, he reported, was a credible source of ignition and was the most likely cause of the fire. But he was unable to determine the precise cause of the fire.

esure said it would accept the claim but only to the extent of replacing the fuse board. It said it wouldn't consider the rewiring of Mr and Mrs M's home.

Mr and Mrs M complained. They said they couldn't find an electrician willing to connect a new fuse board to the old wiring and issue the necessary installation safety certificate. They said they had had to take out a £20,000 loan to pay to have the house rewired themselves. And they also complained that esure had stopped paying for their alternative accommodation whilst the rewiring was being completed.

esure looked into Mr and Mrs M's complaint but didn't think it'd done anything wrong. It said its liability was confined to replacing the consumer unit only along with a small amount of wiring. It said the fact the house needed to be rewired wasn't due to the fire, it was because the wiring itself didn't meet current regulations. It also said it couldn't continue to cover the cost of Mr and Mrs M's alternative accommodation beyond the time it would take to replace the consumer unit (two days). It said it was awaiting receipt of their estimate to arrange settlement.

Unhappy with esure's findings, Mr and Mrs M complained to this service. Our investigator looked into their complaint and recommended that it was upheld. She said the evidence showed that a new consumer unit/fuse board couldn't be fitted and safely connected to the existing wiring without that first being replaced, nor would an electrical safety certificate be issued. She said that for an effective and lasting repair to be carried out, the house needed to be rewired as well as the consumer unit being replaced. She said it was clear from the reports that without doing so it wasn't possible to safely replace the main fuse board.

Our investigator recommended esure reimburse Mr and Mrs M for the cost of rewiring their house (subject to production of the necessary invoices) and to pay any additional cost incurred by them for alternative accommodation. She recommended interest was added to these amounts at 8% simple per year and that esure pay Mr and Mrs M compensation of £200 for the trouble and upset they'd been caused.

esure disagreed with our investigator's findings. It said what was recommended amounted to significant betterment when the fire damage was just to a small part of the house. It said it shouldn't be penalised for the fact Mr and Mrs M's electrics weren't up to current standards and if they had been then the repairs could've been done without any issue. It said it was unfair to make it pay to rewire the whole house. It said the electrics weren't unsafe because of the fire, they were unsafe because of their age. It said the property needed rewiring and that should've been done when the loft was converted a few years previously. It said that work was done without an electrical safety certificate being issued. It said any new circuit shouldn't have been added to the fuse board without RCD protection and if it had been then it hadn't been done legally. It said it was unlikely any electrician would've been prepared to touch Mr and Mrs M's property other than to rewire it.

As our investigator wasn't persuaded to change her mind, the complaint was 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.

Mr and Mrs M's policy covers them for damage caused to their home by fire. The forensic expert instructed by esure found the source of ignition and confirmed that there'd been an electrical fire within the fuse board/consumer unit. The two electricians who attended at Mr

and Mrs M's behest confirmed that the consumer unit had suffered irreparable damage and would need to be replaced. esure accepted the fuse board needed to be replaced. And all parties agree that the new fuse board isn't capable of being safely connected (such that an installation certificate could be issued) to the existing wiring.

Insurance policies are policies of indemnity. That means they aim to put the policyholder back in the position they were in just before the loss or damage happened. For Mr and Mrs M, that means they need to have fully functioning electrics. Replacing the fuse board alone won't achieve that because no electrician will install a modern fuse board and connect it to a 50-year old wiring installation. So, the house needs to be rewired even though the wiring itself wasn't damaged by the fire. Installing the new fuse board without being able to connect it to the electrical installation won't put Mr and Mrs M back in the position they were in just before the damage occurred.

I note esure's point that if it paid to rewire the house then it would mean that Mr and Mrs M will end up in a better position than they were in prior to the damage occurring. That replacing their old wiring goes beyond indemnifying them and gives them more than the policy strictly entitles them to. I disagree that it goes beyond indemnifying Mr and Mrs M – I think the opposite is the case. And I do think that here it's the only fair and reasonable solution. Before the fire Mr and Mrs M had electrics which, it's reasonable to assume, complied with the standards of the day when they were installed. They were functioning just before the damage (despite their age) and that's what they should have after the damage too: fully functioning electrics.

I agree that what I'm asking esure to do amounts to significant betterment. I agree with it that a customer who's experienced the same issue but who had recently rewired their property and paid the same premium wouldn't be getting the same settlement. But that doesn't mean what I'm asking it to do doesn't equate to treating customers fairly. It is only fair and reasonable that these customers, Mr and Mrs M, are put back in the position they were in (with fully functioning electrics) just before the fire occurred. To do otherwise, wouldn't be fair. And all customers should be fully indemnified but what form that takes will obviously vary from claim to claim. Sometimes that can only be achieved by betterment.

I've thought about esure's comments about the loft conversion and the electrics that were run up to the loft and why the house wasn't rewired at that point in time. But they haven't persuaded me that I'm unfairly asking it to pay for Mr and Mrs M's house to be rewired. esure's comments about this issue are, as it says, anecdotal and some, it's fair to say, are based on assumptions. And whilst Mr and Mrs M have told us how the electrics to the loft were connected and have contacted their contractor who has said the work needed was minor, neither party's comments about the loft have influenced the decision I've reached. Of overarching importance is that Mr and Mrs M have a policy of indemnity and had fully functioning electrics before the fire: that is the position they are entitled to be returned to now.

Mr and Mrs M have said they had to take out a loan in order to pay to have their home rewired and to cover the cost of their alternative accommodation once esure ceased paying for it. I don't think it's reasonable to have expected Mr and Mrs M to have moved home without functioning electricity. So I can understand why they chose to stay in the accommodation esure had placed them in and to pay for it themselves. I can see that the financial worry and strain of the situation caused Mr and Mrs M some avoidable trouble and upset.

Putting things right

Because the consumer unit wasn't capable of being safely connected to the existing wiring, esure should reimburse Mr and Mrs M for the cost they incurred in rewiring their home subject to them providing the necessary receipts and invoices to substantiate the works that took place. esure should also reimburse Mr and Mrs M for the cost of the alternative accommodation they paid for whilst the rewiring was being carried out. Similarly, Mr and Mrs M will need to provide esure with proof of their expenditure before it does so.

As Mr and Mrs M have been out of pocket having paid for the rewiring and alternative accommodation I think esure needs to add interest at this service's usual rate of 8% simple per year from the date they settled the invoices to the date it pays my award. For the avoidable distress and inconvenience esure caused to Mr and Mrs M I think it should pay them compensation of £200.

My final decision

My final decision is that I uphold this complaint. I require esure Insurance Limited to:

- Reimburse Mr and Mrs M for the cost they incurred in rewiring their home (subject to the provision of the necessary invoices);
- Reimburse Mr and Mrs M for the cost they incurred (subject to provision of the necessary proof of expenditure) in paying for alternative accommodation whilst their house was being rewired and after esure ceased to cover the cost;
- Add interest at this service's usual rate of 8% simple per year to both amounts from the date the invoices were paid to the date esure settles my award (if esure Insurance Limited considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr and Mrs M how much it's taken off. It should also give them a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate);
- Pay Mr and Mrs M compensation of £200 for the avoidable trouble and upset its handling of their claim caused them.

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 23 October 2020.

Claire Woollerson

Ombudsman