

The complaint

Mr and Mrs G complain about how National House-Building Council (“NHBC”) has handled their claim on their buildings warranty.

While the warranty is in the name of both Mr and Mrs G, for ease of reading I have referred just to Mr G throughout.

What happened

Mr G bought a flat that came with a ten year buildings warranty with NHBC. A few years into the warranty there was a problem with water ingress from the dormer roof and he made a claim under section 3 of the warranty. The external problem was fixed, however there was some internal staining on the roof of the lounge that also needed to be repaired.

Mr G initially contacted the original builder of the property to rectify the issue. However he later realised that he had a conflict of interest with the company relating to his work. So he requested that all contact was carried out directly between him and NHBC.

NHBC said it could arrange for the repairs to be carried out, but it would be completed by the original builder. Mr G wasn't comfortable with this as he was working from home and said it wouldn't be appropriate for him to work while the builder was there due to the conflict. He said he would need to take annual leave or be placed in alternative accommodation while the work took place.

NHBC didn't agree to this. It said the repair work was a relatively small job and suggested Mr G move his desk into a different room while it took place. Alternatively, it offered a cash settlement for the work of around £140.

Mr G didn't think this was fair, he said he wouldn't be able to get the repair work done for that amount and didn't want to have to project manage the work. He said it wasn't possible for him to move his desk as he has a number of adjustments due to a disability. So he would either have to take annual leave or move out of the flat, which he felt NHBC should pay for. He made a complaint.

NHBC didn't uphold his complaint. It said under the warranty it's required to cash settle at the amount it would cost it to have the work done, so the amount offered was fair. However it said if Mr G was to obtain a few quotes it would consider these. It said it felt alternative accommodation was disproportionate for the work that was needed and the policy doesn't cover for reimbursement for annual leave.

Mr G wasn't happy with this, so brought his complaint to this service.

Our investigator didn't recommend the complaint be upheld. She said she felt the cash settlement offered was fair in the circumstances. And as NHBC had offered the option of considering quotes obtained by Mr G then this was a fair alternative.

Mr G didn't agree. He said he didn't feel comfortable letting trades people into his home to quote for the work during the coronavirus pandemic. He also said NHBC had said it would need to be reputable trades people who carry out the work and it hadn't explained what this meant. He also said that the scope of works provided by NHBC hadn't covered everything and more work might need to be done when the job is started, so didn't think a cash settlement was fair. He asked for his complaint to be reviewed by an ombudsman.

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 G has raised a number of complaint points throughout the claim. As this is an informal service, I haven't responded to each one individually, I've focused on those I think are most relevant. However I want to reassure Mr G that I have considered everything he's said when reaching my decision.

Mr G isn't happy with the settlement offered by NHBC. I need to consider whether NHBC has acted in line with the terms and conditions of the warranty and treated Mr G fairly and reasonably.

How the claim was settled

When an insurance claim is made, it is for the insurer to decide how it chooses to settle the claim. In this case NHBC originally offered to carry out the work required using its contractors. However Mr G explained why he wouldn't be able to work in the flat while the work took place. NHBC therefore decided it would be more appropriate to cash settle the claim.

As Mr G has explained he has a conflict of interest with the builders, I understand why he wouldn't feel comfortable working while they were completing the repairs. As he is currently working from home full time, I can see this would be particularly inconvenient. NHBC has explained that it doesn't have access to other contractors for the job, and this isn't unusual for insurance providers.

As the contractors will cause Mr G problems, and they are the only ones available to NHBC, I think it's reasonable that NHBC has offered a cash settlement instead. It means Mr G can choose a more suitable company and minimise any disruption to his work.

Mr G has said he would prefer NHBC to carry out the work as he suffers with his mental health and doesn't want the added responsibility of project managing builders himself. I sympathise with Mr G's situation and can understand that arranging and managing building work can be stressful.

NHBC has said that the warranty doesn't provide for alternative accommodation in the circumstances. The warranty states as follows:

'We will pay you any reasonable costs that you incur by prior agreement with us for removal, storage and appropriate alternative accommodation if it is necessary for anyone normally living in your Home to move out so that work can be done.'

So while I appreciate Mr G may wish to move out to avoid the builders and be able to work comfortably, I have to consider what the warranty provides cover for. As the work is painting and plastering of a small section of the ceiling of the lounge, I don't agree it would be necessary for Mr G to move out in order for the work to be completed. And as the warranty

only provides alternative accommodation when someone has to move out in order for the work to be done, I don't think NHBC has acted unfairly by not offering this.

Mr G has said NHBC could alternatively pay for him to take annual leave during the time the repairs take place. NHBC has said the general exclusions of the warranty state the following won't be covered:

'Any loss of enjoyment, loss of use, loss of income or business opportunity, inconvenience or distress, or any loss arising or cost incurred (or both) only indirectly, as a result of the events or circumstances that led to your claim or complaint.'

So it wouldn't cover him for reimbursement of annual leave. Mr G has said that the loss he would suffer from taking annual leave wouldn't be as a result of the circumstances that led to the claim or complaint, but instead as a result of the repair work, so this exclusion wouldn't apply. However as the repair work is only required due to the claim, it is as a result of the claim. I therefore think NHBC has acted fairly by applying this exclusion.

So while I understand why Mr G would rather have the repairs arranged by NHBC, I have to consider the limitations of the warranty. And in this case, considering Mr G's circumstances, I think NHBC has acted fairly in the settlement it has offered.

Cash settlement

Mr G has also said he isn't happy with the amount offered as part of the cash settlement. He says other builders have commented that it wouldn't be possible to carry out the required work for the amount.

NHBC has said that it is only required to offer the amount it would cost it to have the work completed. And this may be less than the market rate.

The warranty states:

'We will pay you the full Cost... of putting right any physical damage to your Home...'

And defines cost as:

'The cost we would have had to pay if we had arranged for relevant work to be done.'

NHBC has provided evidence to show that the amount offered is the amount it would cost it to have the work completed. So I'm satisfied that it has acted fairly in offering that amount.

NHBC has said if Mr G was to obtain quotes for the work required it would consider these. And given the circumstances, I think this is a fair offer.

I understand Mr G's concerns about allowing numerous trades people into his home to quote for the work due to the ongoing coronavirus pandemic. However many companies are working in different ways in order to avoid face to face contact due to the pandemic, so he may wish to explore the options available.

Scope of works

Mr G has also raised concerns about the scope of works that NHBC has based its cash settlement on. He says he doesn't think it covers enough work to complete the job. At this service we aren't experts in building work. So I have to rely on evidence from those who are.

NHBC has based its scope of works on the opinions of its builders. And I've not seen any evidence to suggest it doesn't cover the necessary work required to complete the repairs. So I don't think NHBC has acted unreasonably by basing the settlement on its scope of works.

My final decision

For the reasons I've given, I don't uphold Mr and Mrs G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs G to accept or reject my decision before 3 June 2021.

Sophie Goodyear
Ombudsman