

## **The complaint**

Mr and Mrs E's complaint is about the handling of a claim they made on their home insurance policy with Fairmead Insurance Limited. They are unhappy about how long the claim for fire damage to their home has taken.

I will refer to all actions taken by the various representatives of Fairmead as having been undertaken by it.

## **What happened**

Mr and Mrs E took out a home insurance policy alongside their mortgage in February 2011. The policy covered the building for £107,672 and didn't include any cover for its contents. The policy was renewed thereafter.

In March 2018 Mr and Mrs E's home suffered a major fire caused by a faulty electrical appliance. Fairmead appointed a firm of loss adjusters and the claim was accepted. The loss adjuster concluded the property likely needed to be demolished and rebuilt as the fire had gutted the inside and it was likely it had weakened the external walls. However, this would be subject to a structural engineer assessing the property.

Mr and Mrs E appointed a loss assessor to deal with the claim on their behalf.

Initially Mr and Mrs E were told the policy didn't provide for them to have alternative accommodation while their claim was ongoing. However, this was a mistake and it was corrected the following day. They were housed in a hotel as a temporary measure, and £50 compensation was paid to them as an apology for the mistake. It was determined that a rental property should be arranged for 12 months. Unfortunately, there were some delays in a property being arranged, which were attributable to both Fairmead and Mr and Mrs E being unable to find time to inspect potential properties. They moved into a rental property a couple of months after the fire.

Before investigations into the stability of the property could be completed an asbestos survey needed to be done. This confirmed at the beginning of May 2018 that there was asbestos in the property and that it needed to be removed before any reinstatement could start. Mr and Mrs E's loss assessor asked to be allowed to arrange the asbestos removal and Fairmead agreed. The removal was arranged by the loss assessor in the middle of June 2018. Mr E has told us that during the removal process many damaged contents items were removed from the property and left in an outbuilding and in the garden.

The structural engineer determined that the main structure of the building remained intact and could be salvaged, with a full internal strip-out and restoration being necessary. The garage and conservatory needed to be completely replaced. It was suggested that the remainder of the roof needed to be removed and temporary sheeting (a 'tin hat') be installed to keep the property water-tight.

During this time the loss assessor was discussing the claim with Fairmead. It asked that it be given control of the repairs, including its appointed surveyor make the decisions about the

design of the repair. In doing so, the loss assessor was effectively asking Fairmead to cash settle the complaint. Fairmead was willing to settle the claim on this basis and so decided that it should be left to the loss assessor to determine what, if anything, was needed to protect the property. This was discussed with the loss assessor in the summer of 2018 and it confirmed that it didn't think any temporary works were needed as any damage from the property being exposed would already have happened.

In the middle of July 2018 Fairmead and the loss assessor met to discuss the repairs. A schedule of works was agreed. The loss assessor then put this out to tender. This was in the middle of August 2018. The loss assessor reported back to Fairmead about a month later, recommending a contract with a builder who had priced the repairs at approximately £112,000 plus VAT.

This quote was higher than the sum assured on the policy and this caused Fairmead some concern. However, ultimately, as the percentage of underinsurance was small, it didn't affect the claim. That said, Fairmead did have some concerns about the tenders that had been received, as for example, one didn't include an estimate for the time it would take to complete the repairs and the other included activities that had already been completed.

It is not clear from the contemporaneous evidence provided by Fairmead when or why it decided to look into settling the claim by diminution in value (DMV), although it appears that Mr and Mrs E's mortgage lender may have been involved in this decision as an interested party. A DMV settlement is where a claim is settled in cash for an amount determined by deducting the value of the property in its damaged state, from its value immediately before the fire. This option was being discussed with the loss assessor by early November 2018 and the loss assessor didn't consider this was a reasonable approach to the claim. Fairmead confirmed that three estate agents' valuations for the property pre and post loss needed to be obtained in order to calculate its offer. The loss assessor was asked to provide this information, but it didn't, so Fairmead attempted to do so itself.

Unfortunately, it appears that there were difficulties in obtaining estate agents' estimates. Ultimately, only one was produced and it took until the second half of February 2019 for the information to be received. The estate agent valued the property at £80-85,000 before the fire and £35-40,000 in its damaged state.

Around the same time, Mr and Mrs E were contacted by the local council and told they had to clear the contents items from the outbuilding and garden, as they were an environmental health issue. They were given a date in the middle of February 2019 to clear the site and deal with the vermin problem. Fairmead's records indicate that the loss assessor was arranging for this to be done, but it appears that was not the case, as Mr E ended up hiring a skip and clearing the site himself in the early part of March 2019.

An early indication of the DMV offer was given to the loss assessors in early March 2019 - £45,000 less the amount it had paid out on the claim to date - a little over £25,000. It was confirmed that the offer would have to be approved by the underwriters and the mortgage lender before any settlement was made. This resulted in concerns being raised between Fairmead and the lender about settling the claim on a DMV basis. The loss assessor was approached and asked whether the contractor could reassess the rebuild costs so that the costs would be economic.

The loss assessor did what was asked and the claim settlement changed from a DMV basis to a repair basis. The first payment was made to the loss assessor, which was arranging the repairs, in September 2019 and repairs started. Mr and Mrs E have confirmed they were informed by the loss assessor that the repairs were complete by the middle of December 2019, but they were unable to access the property until early 2020. When they did, they've

told us that there were issues with the repairs and the property wasn't ready to be moved back into.

Mr and Mrs E complained to Fairmead about the time the claim was taking to settle in the late summer of 2018. These concerns were again raised in March 2020. Fairmead didn't respond to these complaints and so Mr and Mrs E asked this service to consider their complaint.

One of our investigators considered the complaint and recommended it be upheld. She was satisfied there were significant delays in the handling of the claim and for the upset and inconvenience this caused, Fairmead should pay Mr and Mrs E £950. In addition, she recommended that Fairmead pay alternative accommodation and disturbance allowance for the period the repairs would take to do. In addition, Fairmead should pay the cost of the skip hire Mr E used to clear the contents from the garden and outbuilding. She concluded this as anything within the property would have needed to be removed as part of the building repair, and it had been Fairmead's contractors who had thrown the items out of the building, which resulted in Mr E having to dispose of them.

Fairmead didn't accept the investigator's conclusions. It highlighted the accommodation arrangements that had been in place until the middle of February 2020. It also said that much of the delays had been caused by the loss assessor acting on behalf of Mr and Mrs E. It also highlighted that there was no contents insurance associated with the policy, so it wasn't responsible for disposing of the damaged contents after the claim, which it had made the loss assessor aware of at an early stage.

Our investigator considered Fairmead's further comments, but they didn't change her conclusions. As agreement couldn't be reached, it was decided the complaint should be referred to an ombudsman for consideration.

I requested some further information from both parties, which where appropriate has been incorporated into the background facts. Fairmead also said that the delays in settling the claim had been caused by its discussions with Mr and Mrs E's lender. In addition, it said Mr and Mrs E's loss assessor had caused delays too as it had no response from it for months at one point. It said that once the loss assessor had got a quote that fell within the sum assured, the claim was settled.

## **Relevant policy terms**

### Claim settlement

1. We will pay the cost to us of any necessary replacement or repair work carried out, provided that, immediately prior to the incidence giving rise to the damage, the buildings are in good repair.
2. We will either make a deduction for wear and tear from the cost to us of any necessary replacement or repair work or, at our option, pay the deduction in market value resulting from the damage, where:
  - i) Replacement or repair is not carried out; or
  - ii) Immediately prior to the incident giving rise to the damage, the buildings are not in good repair.
3. At our option we will not pay more than it would have cost us to repair the damage to the buildings if the repair work had been carried out without delay.

You are jointly insured with the lender under this policy. Please note that the lender's interest will rank in priority to your interest in respect of all claims monies in instances where you and the lender have agreed to take a cash settlement instead of reinstatement of your home. If we or the lender are unable to contact you regarding settlement of a claim and we offer a choice of cash settlement instead of reinstatement the lender will be entitled to receive the cash settlement.

...

6. If the damaged parts of the buildings cannot be economically repaired or replaced, we will pay you the difference between the market value of the buildings prior to the destruction or damage and the market value of the buildings following destruction or damage.

I issued a provisional decision setting out my conclusions and reasons for reaching them. Below is an excerpt.

*'The complaint Mr and Mrs E referred to this service was about delays in Fairmead settling their complaint. However, during her review of the complaint, our investigator identified areas where she was concerned about the settlement amount. As these issues have been raised, I will consider them now.'*

*Fairmead has confirmed that the allowances for Mr and Mrs E and their family being out of their home were paid until the middle of February 2020. Mr and Mrs E have confirmed that they were handed their keys back in January 2020 with a report of the repairs having been finished. I understand that they weren't happy with the quality of the repairs and as such, they didn't move back into the house for some time. However, I can't take that into account when assessing what Fairmead should have paid, as the repairs were organised by Mr and Mrs E's loss assessor, so Fairmead isn't responsible for any issues caused by the quality of the repairs. The estimates for repairs produced for the loss assessor indicates that the repairs should have taken around three months to complete. From the point of the first payment for the repairs, Fairmead paid around five months' worth of further accommodation costs, which went beyond the point that Mr and Mrs E should have been able to move back into their home in January 2020. So I am satisfied Fairmead paid sufficient for this aspect of the claim.*

*Our investigator also considered that Fairmead should pay Mr and Mrs E the cost of the skip that was hired to clear the contents items that had been removed from the property and left in an outbuilding and in the garden. Fairmead has rightly commented that the insurance policy didn't cover contents and so technically the removal of the contents was not covered. That said, if the damaged contents were inside the property amongst the fallen ceilings and other buildings elements and needed to be removed as part of the stripping out works, I would have expected Fairmead to cover this cost.*

*However, it appears that the items were removed from the property during the asbestos removal process. If these items needed to be removed in order for the asbestos to be removed, it's likely the items were in close proximity to, and potentially contaminated by, the asbestos. As such, the items likely should have been removed as part of the asbestos removal process. This process was completed by contractors acting on Mr and Mrs E's part, as they were appointed by the loss assessor. Considering this, I am not persuaded that I can require Fairmead to pay any costs associated with the disposal of these items on top of what it has already paid.*

*I now come to the matter of the delays that occurred in the claim settlement. Fairmead has said the delays were caused by the lender and the loss assessor. I will consider the latter point first. I can see that there was a considerable amount of time when Fairmead was*

*waiting for the loss assessor to arrange estate agents' valuations. However, I am not persuaded that in the circumstances it was appropriate for Fairmead to require the loss assessor to provide this information. Fairmead wanted to settle the claim on a DMV basis and if it wanted to do that, it was responsible for obtaining the information it needed in order to do so. This is especially so as the loss assessor made it very clear early in this process that it disagreed with the proposed option for settlement. So I consider the delays in this part of the process can't be attributed to the loss assessor, but rather to Fairmead for not taking a reasonable approach to the evidence gathering exercise.*

*As for the involvement of the lender. I requested that Fairmead provide its contact notes with the lender so that I could assess the lender's involvement and if it caused delays. Fairmead hasn't provided that information. So while it is clear that the lender was involved and possibly even expressed a preference for how the claim should be settled, I can't conclude that it was responsible for any delays. This is especially as it was Fairmead's responsibility to move the claim forward in a timely manner; if the lender wasn't contributing in a positive way, it was for Fairmead to move it on without that input.*

*The delays Fairmead has raised as having been caused by other parties, happened during the DMV process. I have considered it carefully and I think the entire period of this process was a delay that can be attributed to Fairmead. As we have previously pointed out, in a situation such as this, it would not be usual for a claim to be settled on a DMV basis – a consumer needs and wants their home repaired and where the sum assured is assessed as being correct or very close, that is not an unreasonable expectation. I will acknowledge this case is something of an oddity as the value of the property is significantly less than the amount it would cost to completely rebuild it. However, in that circumstance I wouldn't expect an insurer to immediately move to a DMV settlement – it should reasonably explore the options available to it. However, it doesn't appear that Fairmead did this until May 2019. This is between six and eight months after Fairmead started down the route of settling on a DMV basis.*

*Mr and Mrs E were aware of this for at least the last six months of that process. I acknowledge that Fairmead was housing them throughout this period, but they would still need a home to return to at some point. Knowing that their insurer was planning to settle on a basis that meant they were unlikely to be able to repair their home, on which they still had an outstanding mortgage, would have been worrying to them. This would have been especially so in the last two months when they'd been told they would only receive around £25,000 in settlement of their claim. Mr and Mrs E need not have suffered this worry had Fairmead done in the autumn of 2018, what it did in May 2019. In light of this I consider a payment of £1,500 should be made to Mr and Mrs E for the upset and delays Fairmead's handling of the claim caused them.'*

Fairmead accepted my provisional decision. Mr and Mrs E didn't make any further comment, but I am satisfied they received the provisional 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.

As neither party has provided any further comment or evidence, I see no reason to change my conclusions.

### **My final decision**

My decision is that I uphold this complaint in part. I will require Fairmead Insurance Limited to pay Mr and Mrs E £1,500 in total (any sum already paid in this respect should be deducted from this sum) for the upset and inconvenience its handling of the claim caused them.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs E to accept or reject my decision before 28 October 2021.

Derry Baxter  
**Ombudsman**