

The complaint

Mr G complains that Lloyds Bank General Insurance Limited has failed to fairly settle a claim made on his buildings insurance policy.

What happened

Mr G's home was flooded in June 2019 when heavy rainfall led to water ingress within the basement rooms of the property. Mr G notified Lloyds of the claim and it agreed to send out its agent to organise a schedule of works and arrange any necessary removals and storage.

Work was first completed on the property to prevent water coming into the habitable areas from the soil filled areas of the basement as a temporary solution. This took place at the start of August 2019. Following this, Mr G needed to call and notify Lloyds that this failed several times when further heavy rain resulted in more water ingress into the property. Mr G questioned at the time when a lasting repair would take place to stop his home from flooding again and stressed the impact the damage was having on his family.

On 16 December 2019 Lloyds explained to Mr G the repair works it was proposing to undertake to repair the damage from the water ingress and how these would reduce the risk of this happening again. The scheme put forward included the proposal to install a sump pump within the uninhabited area of the basement.

Mr G didn't agree with this option. He felt the proposed scheme would not provide a lasting repair to the issue and he had concerns about how this solution was putting him back in the position he was in prior to the flood. He felt he'd be left in a worse position with his house still at risk of flooding. And he said the scheme proposed could have a significant negative impact on the value of the property and would require regular ongoing costs. He also stressed how the temporary scheme already in place had failed a number of times.

In February 2020 Mr G complained to Lloyds about how his claim had been handled. He explained his concerns about the scheme offered to repair his property and that the service received from his claims handler at Lloyds had caused delays. Lloyds offered £150.00 to compensate for delays that had been added through the handling of the claim but it said it agreed the scheme offered was a fair solution. It also asked that Mr G respond to an email sent in January 2020 asking for details of the pre-purchase information to assist with the claim enquiries.

In June 2020 Mr G chased Lloyds for an answer on what was happening with his property and repairs. Lloyds said it still needed the pre-purchase information it had asked for in its earlier communication. Mr G said he'd stated previously to the investigator at Lloyds that these aren't available.

Lloyds asked for this information again in July 2020 and commented on what it had been able to establish was provided previously to the local council. Mr G again confirmed he didn't have these documents and so the request couldn't be fulfilled. He also informed Lloyds at this point that because the property had still not been repaired he'd needed to move his eldest daughter to alternative accommodation as the condition of the property was having a negative impact on her health.

In August 2020, Mr G brought his complaint to this service.

In September 2020 Lloyds wrote to Mr G setting out the details of the cash settlement it was making for his claim. It paid £31,040.40 to Mr G plus VAT to cover the cost of the repair works to his property following the flood damage. This money was paid directly to Mr G's bank account without acceptance of the amount paid.

Mr G made no contact with Lloyds after the offer was made but sought his own quotes for repair works which he felt were more suitable and lasting. His architect proposed a different scheme to that put forward by Lloyds. This scheme didn't include the need for a sump pump and included underpinning. It also involved the removal of the soil from some of the uninhabited areas of the basement with a new permanent floor being put down in these areas.

Our investigator passed the details of Mr G's proposed scheme to Lloyds for its consideration. It said that it felt this scheme involved work that wasn't needed to complete a lasting repair of the property and the addition of a new floor to the area previously uninhabited meant there was an element of betterment within the scheme. It didn't agree to cover the additional cost of this as quoted by Mr G's builder.

Our investigator looked at Mr G's complaint and said he thought Lloyds needed to do something else to put things right. He agreed the settlement for the repair costs was fair as he wasn't persuaded the scheme Mr G's architect had proposed was needed. And he felt there was elements of betterment within this. But he felt it was fair that Lloyds pay for some of the cost incurred when Mr G felt it was necessary to move his daughter and fiancée to alternative accommodation due to the damage and lack of repairs. He recommended the accommodation costs be equivalent to a two bed properties average rental cost in the local area. And said this should be paid from when the alternative accommodation was first taken up until when it is reasonable to believe the works could have been completed.

Lloyds agreed to the recommendation and offered £3750. This represented just over six months rental payments at £600 pcm.

Mr G didn't agree with our investigator. He said the scheme Lloyds has proposed does not prevent the property from flooding again. Lloyd's scheme does not extend past the staircase but starts on the opposite side of the wall. He said water is entering the property from here and the work his builder has carried out is necessary to stop the property from flooding again.

He said the offer for the cost of the alternative accommodation costs is not sufficient. He was forced to separate his family and rented a property in the most appropriate location to alleviate the stress and impact on his daughter. There was no gain from this and the two-bed property was rented because he could not afford to rent a like for like property and move his entire family out even though this would have been preferable. The separation of the family has caused significant distress and this has not been acknowledged at any point.

He didn't think the offer made by Lloyds was sufficient to cover the replacement costs for his fixtures and fittings. He exemplified a bespoke solid wood painted tv/wine rack which has a

like for like replacement from the same supplier at £6500. The offer of £1000 to cover this and other items comes well short of what is needed.

Because Mr G didn't agree with our investigator, the complaint has been passed to me for 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.

I've decided to uphold this complaint in part, for much the same reasons as our investigator. I'll explain how I've reached this decision.

The repairs and settlement offered

It isn't disputed that Mr G's policy provides cover for the damage caused by the flood, but it is the proposed scheme and cost of this scheme now paid to Mr G as a cash settlement that is.

Mr G feels strongly the repairs proposed and subsequent settlement inline with the value of these repairs to Lloyds isn't fair. He's raised questions about how this can be seen to be placing him in the situation he was in before as he feels the changes with Lloyds scheme would result in negative changes to his property and potentially devalue it.

As our investigator highlighted, Mr G's policy has a general exclusion for *Loss of Value* with it excluding the following:

“Any loss or reduction in the market value resulting from the repair or replacement of the lost or damaged property, or depreciation.”

It hasn't been shown that the different scheme would have reduced the value of the property. But even if it had been and while I understand that Mr G may be concerned about this, there isn't a requirement on Lloyds to cover it.

The policy also makes it clear that Lloyds can decide how to settle the claim and this can include either repairing the damage or paying money for the repairs to be completed. Any repairs completed should be effective and lasting and the cash settlement should cover the cost of these repairs if Lloyds decide not to complete the work itself.

Both Lloyds and Mr G have provided commentary from their own respective engineers on why the scheme proposed by each is the most appropriate. And both have explained the reservations about the alternative proposed.

There is a number of key differences between the two and the impact on Mr G's property. Our investigator felt that both schemes proposed offered an effective and lasting repair solution, but he felt the scheme proposed by Mr G's engineer also included elements of betterment. And this meant the repair would not just be making an effective lasting repair, but also improve Mr G's home and it wasn't fair to expect Lloyds to cover the additional cost of this.

Lloyds said it identified the water ingress as coming through the retaining wall entering the property at the rear of the stairs. It proposed a scheme within the uninhabited area that it felt would stop water from entering the current inhabited area. It was designed to allow any future water flowing into the property to percolate back into soil within this uninhabited area.

This would be done through surface tanking and a drainage channel built through excavating a small area of the soil mounds in the uninhabited area.

The scheme also included the use of a sump pump to carry away the excess water. Lloyds later said this could be removed if needed as the proposed waterproofed bunded wall would be 500mm high. As the water level hadn't exceeded 20mm previously, it felt this would be effective on its own.

Mr G's engineer proposed a different scheme which involved the underpinning of the property, the removal of the bunded soil mounds in the current uninhabited area and a new concrete slab built in its place. The engineer said the following as to why this was required:

"We discussed methods for making the basement watertight and also to stabilise the foundation to the front of the basement..."

The front wall foundations were exposed above the lower ground floor level and with the sub soil being very granular the footings were at risk of being undermined especially with water flowing from the soil behind this wall."

Mr G's engineers proposed scheme meant as well as the cause of the current water ingress into the habitable areas being repaired, the previous uninhabitable areas would also become habitable. And in view of a future risk, stabilising the front foundation through underpinning was proposed.

The question is whether, this scheme and the preventative nature of the work – designed primarily to reduce the risk of future underpinning of the footings was needed. Having considered everything, I don't think it was or is a proportionate repair and the scheme proposed by Lloyds would have provided a lasting and effective repair to the ingress or water identified.

Mr G has said the watercourse changed following a prolonged period of dry hot weather followed by the heavy rainfall and therefore the property experienced the flood damage. It's likely this is the case as the flood wasn't an isolated event with further damage being caused by later rain fall. But I don't think it means Lloyds need to consider underpinning the property to rectify the water ingress to the habitable areas.

Both Lloyds and Mr G's engineer agree the point of water ingress and both schemes proposed, provide a means of stopping future water ingress to the habitable areas of the basement. But Mr G's scheme also removes the risk of water ingress to the areas currently uninhabitable.

Lloyds' engineers said the following which demonstrates the difference in the two schemes:

"The two schemes are very different in that the solution we proposed simply prevents the water coming into the inhabited space, and the insureds solutions provides a tanking solution to all walls of the uninhabited space (which will cause the need to remove bunded earth to allow for underpinning), but allows the benefit of creating habitable space, which puts the basement into a better position than before the flooding incident."

I think it's clear the scheme proposed by Mr G does better the property and the solution isn't needed to rectify the damage caused by the flooding or to stop ingress of water to the habitable areas again.

In his correspondence with the loss adjuster, Mr G explained he'd always planned to make the uninhabited area of the property habitable in the future and if Lloyds scheme was implemented, this future cost would be greater. This may be the case, but I don't think this is reason to say its proposed scheme is an unreasonable repair for the property. Or that it wouldn't be an effective lasting repair to the damage caused by the flood. And I don't think Lloyds has made an unfair claims decision when it's said it won't cover the additional cost of the scheme proposed by Mr G.

I also have to bear in mind that there hasn't been anything provided to show there is currently any movement of the property following the water ingress or that the soil under the footings is being removed. In the absence of this, the additional work is preventative work to a future risk and it isn't fair to expect Lloyds to cover this as part of the claim for the water ingress.

Fixtures and fittings

Mr G has raised concerns about the value of the cash settlement that relates to a built in TV/wine rack. He's said the like for like replacement cost of this is £6500 and the cash settlement only allowed £1000 for this.

Lloyds has said that it's settlement figure included £2000 for this which it thinks is fair.

Lloyds is entitled to settle a claim in a number of ways as I've explained previously. But when covering the cost of an item that can be replaced like for like, I'd expect it on demonstration of the cost of this like for like replacement to cover to the cost if it isn't intending to complete or attempt to complete work itself. So I think it's fair to ask Lloyds to reconsider the sum for Mr G's built in TV/wine rack if he can provide an invoice or quote for the repair.

This has been provided to this service and is more than the £2000 already paid for this item. Our investigator will forward this on to Lloyds for consideration inline with the policy limits.

Claim handling and alternative accommodation

I set the timeline of this claim out within my background and I think it's fair to say there was a number of delays with the claim handling and Mr G was left with the damage to his property and no update on the potential repairs for a significant period of time. During this time he had to take the decision to rent alternative accommodation for his fiancée and stepdaughter as his stepdaughters' bedroom was in the basement level. He said it became untenable for her to remain in her room due to the ongoing need for repair and this was having a negative impact on her health.

Our investigator recommended that Lloyds consider Mr G's claim for alternative accommodation at the rate it felt was reflective for a similar property local to his house. He didn't think it should cover the entire cost of this as the rental property for Mr G's fiancée and stepdaughter was in a different town where rental prices are higher. Lloyds agreed to this recommendation and has agreed to cover the associated utility and council tax costs of this property.

Mr G said the property was closer to his stepdaughters' school and it meant travel costs weren't incurred as a result. He couldn't afford to rent a property and cover the mortgage on his house that would meet his entire families need so he chose this option. It meant that he didn't need to try and cover the cost of rent and travel expenses.

I understand the difficult situation Mr G found himself in and that covering the cost of another

property was not something he decided to do lightly. And I see the logic of trying to reduce the impact of this were possible, so removing the need to cover travel costs as well as the rental costs. But I do agree with our investigator that travel costs are something that would always need to be covered from the normal place of residence and to remove this cost provides a benefit. It has been shown there is a difference in rent cost in the immediate local area of the property when compared to the cost of the accommodation used by Mr G's fiancée and I don't think it's fair that Lloyds bare this extra cost on the basis that it saved the travel time and cost.

So with the inclusion of the utility and council bills paid when at the alternative accommodation for the period of six months, I think the offer made to cover a percentage of the rent for this period is fair.

I think it's clear this claim and its handling has had a significant impact on Mr G and his family. The need to separate his family as a result of the slow handling of the claim is something that he's said has caused great hardship to them all and I think this is entirely understandable. I think Lloyds need to reflect the impact of this distress and inconvenience and the offer made for delays when it first considered the complaint isn't sufficient to reflect this.

I think it should increase the amount of distress and inconvenience to £1000. As it's previously paid £150, a further payment of £850 should now be made. I feel this is a more appropriate level of compensation for the impact of Lloyds's failings in the handling of this claim.

Putting things right

Lloyds Bank General Insurance Limited must do the following to put things right with Mr G's complaint:

- Pay the alternative accommodation costs previously offered to the sum of £3750;
- Pay the utility and council tax costs incurred during this period (upon receipt of these costs);
- Upon receipt of the invoices or quotes for repair, reconsider the cost of the amount paid for the tv cabinet damaged in the flood in line with the policy terms;
- Pay Mr G a further £850 for the distress and inconvenience.

My final decision

For the reasons explained above, I uphold Mr G's complaint against Lloyds Bank General Insurance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 4 April 2022.

Thomas Brissenden

Ombudsman