

## **The complaint**

Mr and Mrs S complain about the way Royal & Sun Alliance Insurance Plc ("RSA") has handled a claim he made on his insurance policy following an escape of water at his property.

Mr S is bringing the complaint on behalf of he and Mrs S, so for ease I've only referred to Mr S in this decision.

## **What happened**

In early 2018 there was an escape of water at Mr S' property. After a few months, he made a complaint to this service about RSA's handling of the claim. That complaint covered matters up until June 2018 and Mr S was awarded £750 compensation for the distress and inconvenience caused by RSA's handling of the claim.

Sometime later, Mr S made a further complaint to RSA. He was unhappy with the length of time it was taking to resolve the claim, and the quality of the work that had been carried out. He said the drying of the property had been significantly delayed and was unhappy that an independent damp expert's findings weren't taken into account by RSA.

He said due to RSA's incompetence the total cost of the claim was significantly inflated. He thought this had had a negative impact on his insurance premiums which have gone up as a result of the claim and would continue to impact him for many years to come. As a resolution he asked for:

- RSA to remove some additional costs from the overall claim total;
- a dedicated claims handler for the next 10 years to review any future issues that may arise;
- compensation for his insurance premiums being inflated due to the final claim value;
- compensation in order for him to restore his garden to its previous state. He said being out of the property for a prolonged period of time meant the garden hadn't been maintained and would cost him a lot of money to restore it;
- compensation for the inconvenience, distress and delay.

In August 2020 RSA issued another complaint response to Mr S. It offered a further £750 compensation to recognise the distress and inconvenience caused. But it didn't agree to pay anything towards Mr S' future insurance premiums. It said whilst claims have an impact when calculating an insurance premium, the total value of the claim doesn't mean a customer will pay more for their insurance. It also said there was no cover under Mr S' policy for reinstating the garden, as this wasn't impacted by the escape of water.

Unhappy with RSA's response, Mr S brought the complaint to our service. Our investigator noted that RSA had recognised its service had been poor. But he didn't think its offer of £750 compensation was enough to reflect the distress and inconvenience caused to Mr S and his family between June 2018 and when RSA issued its cash settlement in May 2019. He thought the delays had had a negative impact on Mr S' health and wellbeing, and he recommended it pay £1,250 in total to reflect this.

But he didn't think RSA should remove any costs from the claim total. Our investigator didn't think RSA needed to compensate Mr S for his future premiums being higher. But he thought it should refund the difference between what Mr S paid RSA in 2018 to renew his insurance, and a quote he'd received from another provider, the difference being £80.19. He said RSA had told Mr S he needed to renew with it, but that wasn't the case, so it had caused Mr S a small financial loss that he should be compensated for.

RSA accepted the outcome, but Mr S didn't. He didn't think the compensation offered reflected the distress caused to him and his young family by the delays of RSA. He asked for an ombudsman to review the matter, so it has come to me to decide.

### **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 S has provided a lot of information in relation to his complaint against RSA. As this is an informal service I haven't commented on each point he's made, instead I've focused on the reasons for coming to the decision I have. But I would like to reassure Mr S that I have read everything he's provided and I thank him for doing so.

### **Delays and compensation**

It's clear that RSA hasn't handled this claim well. It took more than a year for the property to be in a position where a cash settlement could be offered. Much of this delay was down to RSA not progressing the claim as quickly as it should have done, and RSA has accepted this.

However, it is not the role of the Financial Ombudsman Service to fine RSA for its poor handling, or to award compensation simply because mistakes were made. Instead we look at the unnecessary distress and inconvenience any mistakes caused Mr S and his family when deciding what compensation figure is fair. Having taken everything into account I'm satisfied that £1,250 compensation is fair and reasonable. I've explained why below.

From what I can see RSA delayed the claim by not drying the property promptly and in taking too long to establish the presence of asbestos. RSA issued a drying certificate in October 2018, but it was clear in February 2019 that further issues had occurred. It also seems there was a delay in organising the asbestos tests which meant the strip out works took longer than they should have. This meant Mr S and his young family were in alternative accommodation (AA) for a lot longer than they otherwise would have been.

Mr S has given us detail of how this impacted both his physical and mental health. The difficulty in deciding a compensation award is that Mr S and his family would have always been caused some level of distress and inconvenience, even if RSA had handled things better.

The escape of water caused extensive damage to Mr S' home. Having to move out and liaise with contractors, organise access to the property and speaking to a temporary landlord will undoubtedly cause inconvenience. It's also clear that the claim became more complex than initially thought due to the presence of asbestos and other factors, which would have always caused some delay. But that is a natural result of such a complex claim, and not something RSA is responsible for.

Compensation is to recognise any unnecessary distress and inconvenience caused by avoidable delays and poor communication. Having considered everything, I'm satisfied an award of £1,250 is fair and reasonable. In coming to that decision I've also considered that Mr S has already received £750 compensation for the first complaint he brought against RSA. So RSA should now pay £1,250, less any amount already paid relating to this second complaint.

## **Future premiums**

I accept Mr S' point that poor work and delays increased the overall claim value. He's asked for certain amounts to be removed from the claim total. He said initially he was told it would be a 12 week repair at a cost of £25,000 but the end figure was closer to £250,000. So he's asked for financial compensation for the difference between the two figures, as he feels this will have an impact on him.

It wouldn't be reasonable of me to ask RSA to remove costs it did incur when it reports the claim value on external insurance databases. This is because those databases need to be a true reflection of the actual cost of the claim, whether RSA's errors contributed to that cost or not.

However, I could require RSA to put things right if a consumer loses out because RSA has unfairly caused a higher claim expenditure. I think it's clear the AA costs have been increased by RSA's poor handling. However, I think much of the reinstatement and drying costs would still have been significant, even though RSA's delay in drying the property did likely cause an increase to those.

I don't think it would be fair or reasonable for me to ask RSA to compensate Mr S for the claim amount being higher than the original estimate. It's clear that original estimate didn't include costs for items such as asbestos removal, and the reserve for the contents and reinstatement of the property ended up being much higher. I don't think all of that increase can be attributed to delays or mistakes made by RSA.

Having considered everything, I think the claim cost in this case was always going to be high given the amount of rooms affected by the escape of water. It's very difficult for me to know by how much exactly any delays have increased this.

In any event, I consider the claim was, even without any mistakes, likely to be above £150,000. For me to say RSA should cover a financial loss for Mr S I'd need to think it likely the claim value increasing from around or above that point to £250,000 is likely to cause an increase in the cost of his insurance.

A claim record, in my experience, will often result in an increase in the cost of future cover – regardless of the claim value. RSA says it doesn't consider the value of a claim when calculating premiums. I accept its possible other insurers may. But even without any mistakes Mr S was going to have a record of a high value claim. I accept its possible, but haven't seen enough to persuade me the increased claim value has or probably will result in unfairly high premiums for Mr S. So I'm not going to ask RSA to pay anything in relation to this.

Following our investigator's view, RSA has agreed to refund the difference between what Mr S paid for his insurance at renewal in 2018, and what he could have paid another insurer. As this amount has been agreed I haven't considered it further, so RSA needs to pay £80.19 to account for this, which was the difference between the two amounts. It will also need to add 8% simple interest to this amount from the date Mr S paid for his insurance, until the date of settlement.

### **Garden maintenance and future issues**

Mr S has asked for RSA to pay compensation as his garden deteriorated during the time he wasn't in the property. His garden wasn't affected by the claim so doesn't form part of RSA's responsibility in terms of reinstatement under the policy terms. I accept Mr S would have found it more difficult to maintain his garden as he wasn't living in the property, but I'm satisfied it was still his responsibility to do so. Mr S would have always been out of his property for a number of months even without any delays on the part of RSA. I do accept that as he was out of the property for longer than he should have been, the maintenance work he then had to do would've likely increased. But I have considered this issue when deciding on compensation for distress and inconvenience. So I'm not going to ask RSA to do anything more.

Mr S remains concerned about the drying of the property. He's asked for an undertaking from RSA to carry out further works regarding damp in the property if they present themselves over the next 10 years. This is because he doesn't feel RSA took into account the opinion of the damp expert. He's also asked for a designated contact at RSA for the same period for any other issues.

In March 2019, an independent damp report was carried out, it said due to the mortars in the building, plasters could be contaminated with hygroscopic salts and these can attract internal moisture, resulting in damp marks on walls. It recommended rendering the walls with water-proof renders and salt inhibitors before being skimmed.

It seems to me that RSA never undertook this work. It seems there was some disagreement as to whether it was necessary, and a cash settlement was negotiated and paid to Mr S soon after the report was produced. So I haven't considered this any further. Whilst I'd expect RSA and its contractors to guarantee any work it did carry out and to carry out a lasting and effective repair, I wouldn't expect it to issue one for work carried out by Mr S' contractors after a cash settlement is offered. As far as I'm aware there is no problem with Mr S' house and damp. But if Mr S feels one has developed as a result of RSA's actions, he'd need to complain to RSA about that separately.

It also wouldn't be practical or reasonable for me to ask RSA to dedicate one point of contact for the next 10 years. But I'd expect it to deal with any future queries from Mr S relating to the claim.

### **My final decision**

My final decision is that Royal & Sun Alliance Insurance Plc is required to pay compensation of £1,250 for distress and inconvenience, less any amount already paid relating to this second complaint.

It is also required to pay £80.19 for the difference in insurance premiums in 2018. Royal & Sun Alliance Insurance Plc will need to add 8% to this amount from the date Mr S renewed his insurance, until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mr S to accept or reject my decision before 15 March 2022.

Michelle Henderson  
**Ombudsman**