

## **The complaint**

Mr E is unhappy with the way QIC Europe Ltd (QIC) handled his insurance claim after his home was damaged by a flood.

Mr E is also unhappy with the amount QIC paid for his damaged contents. I won't be discussing that here, because any complaint about the contents settlement would need to be raised with the business before our service can look into it.

To keep things simple, references to Mr E and QIC include agents and representatives working on their behalf.

## **What happened**

Mr E had buildings and contents insurance with QIC. On 8 November 2019 his village was flooded. Water entered his home, rising to around three feet deep for several days. Mr E and his wife chose to stay in a caravan whilst the damage was repaired.

On 18 November 2019, after the flood water had receded, QIC visited the property to start putting things right. During their initial visit some of the floorboards in the rear bedroom were broken. QIC told Mr E there was an issue with dry rot.

The early stages of work involved removing Mr E's contents and installing drying equipment. Mr E expected to see all the fixtures and fittings being stripped out, but this didn't happen. In early January, worried that the property still appeared to be very wet, he contacted QIC to ask how they were planning to dry the cavity wall insulation. QIC drilled holes into the cavity walls to assist the drying process.

On 6 February 2020, Mr E met with QIC at the property. QIC say the purpose of this meeting was to discuss and prepare the scope of works. They told Mr E that his property had been dried to pre-flood condition but that they'd found pre-existing issues, such as damp and dry rot. Mr E says QIC verbally offered him a cash settlement of around £16,000. He says he requested a copy of their scope of works showing what this figure covered, but he didn't receive it.

Mr E knew how much his neighbours' properties had cost to repair – he thought QIC were only offering him a fraction of what it would cost to put things right. He was concerned about the contractor QIC had chosen to do the work, which wasn't the firm they'd originally promised him. He didn't think his property had been properly dried - and he didn't agree with what QIC were saying about pre-existing damage. He appointed a loss adjuster to help him with his claim.

After the flood, Mr E had given QIC the code to his key-safe so they could access the property whenever they needed to. In February 2020 he changed the code, so they'd have to make arrangements with him if they wanted to send anyone in. QIC appointed an independent surveyor to get specialist reports on whether all the required remedial works had been caused by the flood. They say they weren't allowed access to the property to complete these reports.

Mr E sought expert opinions on the condition of his property. On 11 February 2020 he obtained a specialist report saying there were still high levels of moisture and humidity throughout the property, as well as poor sanitisation. On 5 March 2020 he obtained a report from a building consultant on the flood damage to the property and the remedial works needed. On 10 March 2020 he obtained a report from a timber specialist, recommending removal of the floorboards to allow proper inspection of the timbers underneath.

On 9 April 2020 QIC sent Mr E a final response, giving him two choices as to how to deal with the repairs. They offered to appoint their own contractor to complete the works they'd scoped, with a cash allowance for the work required to the rear bedroom. They said this would allow for repairs to the flood damage in that room after Mr E had the pre-existing damp issues fixed. Alternatively, they offered him a cash settlement of £21,746.41 plus VAT. Mr E didn't accept this – he thought it was nowhere near enough to repair the flood damage.

On 1 May 2020 QIC emailed Mr E saying they'd instruct a contractor to complete the reinstatement works. They said they'd appoint an independent chartered surveyor to review the scope of works, carry out any required investigations and manage the repair works. They requested unrestricted access to the property so things could progress promptly without interruptions.

Over the next few months, the parties remained locked in dispute about the scope of the required works. Mr E raised concerns that QIC hadn't taken appropriate health and safety precautions before they started work. He arranged for tests to be carried out. On 11 June 2020 he received confirmation that his walls contained asbestos. Mr E was concerned that harmful asbestos fibres would have been released into his home in January 2020, when QIC drilled the walls. He also complained that an independent report on the state of the boiler appeared to have been altered by QIC.

On 4 September 2020, after receiving a report from their chartered surveyor, QIC revised their offer to Mr E. They again offered to employ a contractor to complete the works, provided Mr E arranged to have the uninsured works completed before they started on repairs to the flood damage. Alternatively, they offered him a cash settlement of £27,098.02 plus VAT. But they said they hadn't been able to properly cost all the required works without specialist reports.

Mr E made arrangements for his own choice of contractor to start work at his property. Negotiations continued with QIC, and on 6 October 2020 they made a final cash settlement offer of £37,140.98, including VAT. They said they regarded this as extinguishing their liability under the policy. Although Mr E didn't accept their offer, QIC deposited this sum of money into his bank account the following week.

#### Our investigator's assessment of Mr E's complaint

Our investigator thought that:

- QIC hadn't acted unfairly by limiting their cash settlement to the price they would have paid their own contractor, as this was in line with the terms of the policy. In the absence of any evidence of damage that hadn't been included in QIC's scope of works, it wouldn't be reasonable to expect QIC to further increase their settlement offer. But she recommended that they should consider any further evidence of flood damage obtained whilst reinstatement works were underway.
- QIC could've handled Mr E's claim more quickly.
- Although the evidence didn't show asbestos particles had been released into the air, the encapsulation works could've been completed earlier if tests had been carried out before the walls were drilled.

- The evidence supported Mr E's concerns that he felt pushed to accept QIC's initial cash settlement offer. This caused him a great deal of upset and contributed to his loss of faith in QIC.
- Being told the property had been certified as dry, despite the floors being wet and water running down the walls, had also contributed to Mr E's loss of faith in QIC.
- There was no firm evidence to show QIC had caused the difference to the report on the boiler. And in any event, a new boiler was included in the scope of works.
- Alternative accommodation allowance had been provided until 5 December 2020 – and this was fair.

The investigator thought QIC should pay Mr E £750 compensation for the trouble and upset he'd experienced during the claim process.

#### Responses to the investigator's view – and further information supplied

Mr E disagreed with our investigator's view. He arranged for his property to be returned to its pre-loss condition by his chosen contractor, who I'll refer to as C. And on 19 May 2021 he submitted a final report detailing his concerns about QIC's handling of his claim.

Mr E has made extensive and detailed comments about the way QIC handled things. To summarise, he says they:

- Hadn't properly stripped out, cleaned and dried his property;
- Withdrew their original building contractor because the required works were more extensive than they wanted to complete. Instead they tried to force him to accept a low cash settlement of around £16,000;
- Unfairly tried to reduce their liability on the basis that there were inherent defects in the property before the flood;
- Breached health and safety obligations by failing to take appropriate steps to check for asbestos and correctly record the results, causing potentially harmful dust to be released;
- Removed important safety information from a report on the boiler, which would have shown them to be liable for its replacement;
- Produced a scope of works that didn't cover all the damage caused by the flood – and as a result their successive settlement offers were unfair;
- Offered a cash settlement value that didn't represent the full cost of reinstatement. As the insurer had forced him to accept cash settlement, they should indemnify his actual loss.

Mr E's final report detailed costs incurred in the reinstatement of his property. He said the total claim for building repairs and alternative accommodation allowance should have been £89,639.37. And that, after deducting the payments he'd already received, this left a balance of £44,068.30 owing to him. He said he should also be entitled to compensation for lies, false information and hardship he'd suffered, which he felt to have ruined his life for more than two years.

QIC also responded to our investigator's view. I'll summarise the main points they made:

- The initial offer to Mr E of around £16,000 was not in writing because it wasn't a full or final offer. Certain items needed exact costings and some areas were still in dispute. They'd informed Mr E that further work would need to be done to convert provisional sums into accurate costs;
- The actions required to develop the cost assessment were slowed by Mr E's loss adjuster blocking access to the property. This prevented them from getting the

independent experts' reports they needed to resolve the areas of dispute. They feel any delays have been caused by the loss adjuster's conduct;

- Their revolutionary processes enable effective drying with minimal strip-out or destruction of the fabric of the building. Their qualified technician carried out a risk assessment, which indicated that a full survey wasn't necessary before drying the property. Their technician took the precaution of operating as if there was a risk of asbestos - drilling holes using an H-vac so that any dust generated wasn't released into the property. Swab tests taken in June confirmed that no asbestos fibres were released;
- Mr E's comment about water "running down the walls" referred to condensation in his property. The report from their drying contractor included photos and drying readings, clearly showing there was no water running down the walls. The property was dry from the damage caused by the flood, but there were inherent rising damp issues that wouldn't be covered by the policy;
- Suspected dry rot was first noticed by their drying team in November 2019. This became evident whilst they were clearing the contents from the affected area, when the floor was found to be weak with extreme amounts of rot;
- The value of works at neighbouring properties can't be used as a guide for Mr E's claim. In addition to the different drying strategy used by the insurer, comparison with neighbours' properties takes no account of differences in specification – such as quality of fixtures and fittings;
- QIC shouldn't be asked to consider any further damage found. Mr E's loss adjuster had ample opportunity to assess the flood damage since February 2020;
- QIC had instructed one of the UK's most highly qualified surveyors and loss adjusters, as well as obtaining independent specialist reports on the disputed items to complete a fair scope of works. They'd uplifted the scope several times in an attempt to resolve things. The cash settlement value exceeded the cost to complete the works through their contractors;
- Mr E wasn't forced into accepting a cash settlement - at every stage they offered him the option of a contractor. Although at the initial meeting this was caveated with the requirement for Mr E to meet the cost of uninsured works, they'd ensured he'd get the benefit of their rates and discounts.

QIC said that, although they believed any delays were caused by the conduct of Mr E's loss adjuster, they accepted the investigator's suggested award of £750 compensation as they were keen to bring the matter to a resolution.

In response to the further evidence put forward by Mr E, QIC offered to reimburse him for the following additional costs:

- £500 for additional electricity used during the drying process;
- 50% of the cost of rebuilding the garden wall.

They asked to see invoices or other supporting evidence confirming the costs of:

- Building Control;
- Testing for asbestos;
- Disposal of hazardous waste (asbestos).

QIC didn't accept that they should pay the other additional costs detailed in Mr E's final report.

### **My provisional decision**

On 7 January 2022 I issued a provisional decision, saying:

It's clear that there's been extensive negotiation and disagreement between the parties since November 2019. It isn't necessary for me to discuss all the points that have been raised. Instead I've focussed on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

#### 1. Strip-out and drying works

Mr E has told us that this was a black flood, meaning the water that entered his home contained sewage. So, I can understand that he'd be very concerned as to whether all the contaminated water could be properly dried and sanitised without fully stripping out fixtures like the kitchen units, bath, tiles, plasterboard and floorboards.

QIC say their revolutionary drying strategy means they don't have to carry out the highly disruptive approach some insurers take when dealing with flood damage. They say their approach uses chambers created by existing structures in the property, such as kitchen units, to increase the efficiency of the drying process. I've noted that the kitchen units were to be replaced at a later stage.

Three months after the flood, Mr E was invited to meet with QIC at his property. I've seen differing accounts as to what was said at that meeting, but it isn't disputed that QIC told Mr E his property had been dried to pre-flood condition. They say any subsequent dampness can be attributed to the reintroduction of moisture due to the ongoing damp issue and/or failure to maintain an appropriate ambient temperature. I've looked in detail to see whether the evidence supports this – and I'm not persuaded that it does.

QIC have provided records of each visit to the property, which include moisture readings taken. They've also provided a moisture log, which appears to compile these readings into one document. I don't find this moisture log to be reliable, because it doesn't contain the same information that I can see on the visit records.

On 23 December 2019, QIC's visit record states that moisture readings had been reduced to pre-flood condition. Mr M says he visited the property on 28 December 2019 to find water "running down the walls" and the floors "wet through". He says there were no dryers in the property. Mr E says he rang QIC at the beginning of January 2020 and queried whether the cavity wall insulation was dry. QIC's records show that they drilled the walls to install dryers on 7 January 2020, and pressure-dried the cavity walls on 15 January 2020.

QIC's log shows moisture levels having significantly reduced across all areas of the house by 24 January 2020. But the visit record shows only three moisture readings taken on that date. One of these is shown as having been taken from the hall wall. I've seen no evidence as to the location of the other two readings.

The visit record dated 30 January 2020 states that moisture readings were taken, but I've seen no record of these. The next visit record, dated 5 February 2020, again states that the property was dried to pre-flood condition. It records just two moisture readings, taken from the walls in the hall and first bedroom. These readings are at, or just above, the stated target of 18%. I've seen no evidence as to the moisture levels in the other areas of the property.

On 11 February 2020, less than a week after QIC's last readings were taken, an independent specialist for Mr E reported moisture readings of between 24-100% on both the walls and floorboards throughout the property. On 21 February 2020 an independent building consultant for Mr E also reported high moisture levels in the property. He believed more of the building needed to be stripped out to allow it to dry properly.

Based on the evidence I've seen, I'm not persuaded that it was reasonable for QIC to conclude that the property had been dried to pre-flood condition by 5 February 2020. For this reason, I find QIC's decision to remove drying equipment to have been premature. I think this delayed progress of the reinstatement works and significantly contributed to Mr E's loss of faith in QIC's handling of his claim. And I can see that this added to the level of distress he was experiencing at this very difficult time.

## 2. Health and safety obligations

Mr E expressed concerns that QIC switched his boiler back on after the flood, without testing that it was safe. He also complains that they drilled his walls without checking whether they contained asbestos. It's not my role to comment on whether QIC breached health and safety rules – that's a matter for the Health and Safety Executive.

I can understand Mr E's concerns about the possibility of asbestos being released into his home. Fortunately, there's no evidence that this happened - swab tests carried out by an independent specialist were negative. But expert reports on damage to the property were delayed until the exposed asbestos had been encapsulated. I've looked into whether QIC were responsible for this delay.

The evidence shows QIC drilled Mr E's walls on 7 January 2020. Specialists brought in by Mr E's loss assessor raised concerns about asbestos on 10 February 2020. The presence of asbestos within the walls was confirmed in a test report dated 5 May 2020. To deal with this, QIC completed encapsulation works at the end of July 2020.

Both parties heavily dispute who had control of the property during this period and whether QIC were prevented from getting access. It wouldn't be appropriate for me to decide who had control of the property at this stage – that's a matter for the Health and Safety Executive. But based on the evidence I've seen, I'm unable to say QIC were responsible for the delay in carrying out the necessary encapsulation work.

## 3. Pre-existing issues

QIC's policy booklet sets out their terms and conditions of cover. I can see that no cover is provided for loss or damage that happened as a result of wear and tear, gradual deterioration, wet or dry rot, fungus or mould. It goes on to say that, if the building isn't in a good state of repair, the condition will be taken into account when assessing a claim. It says QIC may refuse to pay a claim or reduce the amount they pay. I can see nothing unfair in these terms, which I consider to be in line with industry practice.

Mr E feels strongly that QIC tried to find pre-existing issues with his property to reduce their liability for the cost of repairs. I appreciate how upsetting this must have been for Mr E, who was clearly very proud of improvements he'd made to his home not long before the flood happened. But where there's uncertainty as to whether damage was caused by flooding or some other pre-existing issue, I don't consider it unreasonable for QIC to leave those costings off their scope of works until they're able to obtain specialist reports.

Based on the evidence I've seen, I'm satisfied that some of the required repair work was due to pre-existing issues at the property. I'll explain why I say this in more detail.

### (i) Damp and timber decay

I've seen differing accounts as to what was said in the early stages of the claim. But both parties agree that, during their visits on 18 November 2019 and 6 February 2020, QIC told Mr E there were issues with damp and timber decay that weren't related to the flood.

Mr E met with QIC again on 21 February 2020 to discuss the scope of works required to reinstate the property. I've listened to the recording of that conversation carefully. There was considerable debate and discussion about rot in the floorboards and underfloor joists. I heard QIC say they needed a specialist report as to whether the damage to the timber in the floors was caused by the flood, or other pre-existing problems. They said they'd been unable to gain access to the property and requested that they be allowed to do so. I heard that Mr E felt QIC had already had sufficient time to arrange for any specialist reports they needed. Unfortunately, no agreement was reached about further access.

Several months later, after the exposed asbestos had been encapsulated, QIC obtained a specialist report on rising and penetrating damp and timber decay. I've seen a copy of that report, dated 17 August 2020. It confirms that there was fungal wet rot in the timber flooring and skirting boards of the rear bedroom. It also states that there was low-level dampness in the majority of the walls, and that this was believed to be due to the breakdown of the damp-proof course. The report confirms both problems to be unrelated to the flood.

(ii) Electrical installation

Mr E feels strongly that his property needed to be completely re-wired due to the flood damage. The evidence I've seen suggests he agreed to provide QIC with a report on the electrical installation.

Mr E has shown us a copy of an electrician's report that he obtained, dated 26 June 2020. This report details wiring that needed to be replaced due to having been submersed in water for a period of time, such as sockets and wiring for the central heating controls. It also details works needed to bring the rest of the electrical installation up to current legal standards, such as upgrading the lighting circuit.

Mr E feels strongly that QIC should cover the cost of all this work. Although he accepts that some of the wiring wasn't affected by the flood, he says the electrician couldn't connect wiring that doesn't meet current regulations to a new consumer unit.

QIC say the flood-damaged parts of the installation could be replaced without fully rewiring the property. They say they'd allowed for the replacement ring main and sockets to be connected on a separate circuit, using an additional residual-current device (RCD), so that the electrician would be able to sign off just this new part of the electrical installation. I think that's fair and reasonable in the circumstances.

(iii) Boiler and plumbing installation

The evidence shows Mr E's boiler was inspected on 31 January 2020 at QIC's request. I've seen two versions of the report of that inspection, which I've examined in detail.

Under the heading "Boiler", both versions of the report say:

*Supply and install the following parts:*

*PRV*

*Expansion vessel*

*PCB*

with a cost for this work. Underneath this, under the heading “Heating system”, both versions go on to say:

*Existing distribution pipework is in severe poor condition and any attempted repair cannot be guaranteed to resolve the problem of further leaks and consequent pressure drops. Therefore, the existing pipework needs removing and replacing with new.*

with a cost for this work. I can see that one version of the report appears to have had the prices of the works removed, using correction fluid or something similar. I don't consider this to be unusual - I'm aware that businesses often regard pricing of works to be commercially sensitive.

The only other difference I can see is the absence of the following wording from the amended version of the report:

*It has been confirmed that the boiler was working prior to the floods, and as a consequence of the flood damage the boiler has stopped working.*

Mr E strongly believes QIC amended this report in a deliberate attempt to avoid liability for the cost of replacing his boiler. Having reviewed the evidence in detail, I'm not persuaded that it supports this view. I'll explain why.

I've listened carefully to the recording of the conversation between QIC and Mr E on 21 February 2020. I'm satisfied that they told him the report on his boiler had identified three replacement parts needed to get it working. I heard them explain that they'd authorised the cost of that repair to the boiler, but that they wouldn't cover the cost of remedying the pre-existing issues with the plumbing that had also been identified.

I consider the explanation QIC gave at that meeting to fairly and accurately describe the content of the boiler report. I've also seen that QIC's revised scope of works, dated 24 August 2020, included the cost of replacing the boiler instead of simply repairing it. So, although I've seen no information as to why or by whom the report was amended, I'm not persuaded that it had any impact on the way the claim was settled.

Mr E says that, on 6 February 2020, QIC talked about pre-existing issues in an attempt to force him to accept a low cash settlement offer of around £16,000. QIC say this wasn't a full and final offer – and that they'd explained that there was more they needed to do before they could arrive at an accurate costing.

As there's no record of that conversation, I'm unable to assess whether QIC explained things clearly. I've seen no evidence that they provided Mr E with a copy of their scope of works, which he says he requested. I think it would have been helpful for him to see this, so he could understand what that initial figure was based on. Without seeing that document, I can understand why Mr E would assume that initial figure was for all of the damage to his property. I think this added to Mr E's distress and distrust of QIC's handling of his claim.

Two weeks later, at the meeting on 21 February 2020, I've heard that QIC explained to Mr E that their original contractor detailed all works needed at the property - some of which related to pre-existing defects. I'm satisfied that they made it clear that they needed to obtain specialist reports. For this reason, I'm not persuaded that QIC attempted to force Mr E to accept an offer of around £16,000 in full and final settlement of his buildings claim.

QIC say they were unable to obtain the specialist reports they needed because Mr E restricted their access to the property in February 2020. But I've seen no explanation as to



why they weren't able to obtain the reports they needed before the meeting on 6 February 2020. I find there to have been an unnecessary delay here – and I think this contributed to Mr E's loss of faith in the way QIC were handling things.

#### 4. Basis on which the cash settlement was calculated

Mr E says QIC withdrew their original contractor without his approval and against his wishes. And that, having forced him to accept a cash settlement, they have no right quoting their preferred contractors' rates as the basis on which the settlement amount would be calculated. He feels strongly that, due to the unique business relationship between QIC and their preferred contractor, no external contractor would be able to provide similar services at those rates. I've given careful thought to the points he's made.

Mr E's policy booklet sets out the terms and conditions of the insurance cover he purchased. This says that, when settling a claim, the policyholder will be asked to choose one of the following options:

- i) We will choose a contractor (our preferred contractor) and instruct them to carry out the rebuilding work, repairs or replacements.*
- ii) We will pay you a cash settlement for the same amount it would have cost us to use our preferred contractor.*

*It goes on to say:*

*If we cannot offer rebuilding work, repairs or replacements (as defined by us) through our preferred contractor, we will pay you fair and reasonable costs to have the work carried out by your chosen supplier.*

I'm unable to comment on the business relationships between insurers and their preferred contractors – that's not my role. Based on the evidence I've seen so far, I'm satisfied that QIC made repeated offers to instruct their preferred contractor to repair the flood damage to Mr E's property. I'm satisfied that they were entitled to decide which of their preferred contractors they wanted to use. And although I appreciate Mr E wasn't happy with the change of contractor, I'm unable to say that he was forced to accept a cash settlement. So, I don't consider QIC to have acted unfairly by basing the settlement value on the amount they'd have had to pay their preferred contractor, in line with the policy terms.

#### 5. Fairness of the cash settlement

I've seen evidence that the cash settlement Mr E received was based on QIC's most recent scope of works, dated 6 October 2020. Mr E says this didn't include all the works needed to put the property back to its pre-flood condition – and that he's incurred additional costs getting things put right. I've considered each of the points he's raised.

- (i) Additional electricity used during the drying process

Mr E estimates this to have been in the region of £500. QIC have agreed to reimburse this amount, so there's no need for me to discuss this point.

- (ii) Damage to walls of rear bedroom

Mr E has provided photos of holes made in the rear bedroom walls during the drying stage. He says QIC's scope of works didn't adequately provide for this. QIC disagree - they say their scope included enough plastering to cover all the damage to the walls throughout the property.

I've seen that QIC's scope of works included plastering costs - and I haven't seen any evidence showing this wasn't adequate to reinstate all the areas damaged as a result of the flood. So, I'm unable to say QIC have done anything wrong here.

#### (iii) Bathroom floor and wall tiles

I've seen evidence showing QIC's scope of works included the cost of re-grouting the bathroom floor and wall tiles, whereas Mr E feels strongly that they needed to be replaced. He says black flood water would have entered the stud partition walls, causing the wall tiles to de-bond. And that it would also have seeped into cavities in the adhesive underneath the floor tiles, which he feels to be a contamination issue.

Despite repeated requests, I've seen no evidence showing de-bonding or other damage to the wall tiles. I've seen that the surveyor's report Mr E obtained in March 2020 recommended removal of the floor and wall tiles to assist the drying process. And that, five months later, QIC's surveyor's said he could just about justify removal of stable wall and floor tiles in the very early days following a flood to assist drying – but that there was no longer any justification for doing so.

I've seen no supporting evidence showing that there were potentially harmful contaminants under the tiles on the floor, which I note to be made of concrete. For these reasons, I'm not persuaded that QIC did anything wrong by including the cost of re-grouting, rather than replacing, the bathroom tiles.

#### (iv) Kitchen floor

Mr E says C had to apply a self-levelling compound to the kitchen floor due to damage caused when it was stripped out. And that this cost an additional £200.

QIC say the floor covering they removed was a click-together laminate. They say this wasn't glued down, but simply laid on a sheet of underlay foam. They've provided a photo taken after it had been removed. They say this shows that, underneath the laminate covering, there'd been a previous attempt to level the floor with patches of screed. They consider the new screed laid by C to be betterment.

Mr E says that, regardless of the condition of the floor before the flood, it needed to be properly prepared before a long-lasting repair could be carried out. I've given careful thought to the point he's made.

Having studied the photos provided by both parties, I'm satisfied that the addition of self-levelling compound improved the kitchen floor beyond its pre-flood condition. As I've seen no evidence to suggest new laminate floor covering couldn't be laid without this being done, I'm not minded to direct QIC to pay for this.

#### (v) Kitchen units and appliances

I've seen evidence confirming QIC's settlement included £10,000 for the fitted kitchen. Mr E says that, barely a year before the flood, the kitchen had been refitted for £9,989.63. This is the amount Mr E feels QIC should pay, plus an additional 15% for C's overhead and profit (OHP).

QIC have told us that they wouldn't pay OHP to their contractor. So, I'm satisfied that the amount they allowed for the fitted kitchen was fair - and that they didn't make any error by not including OHP.

(vi) External damage

Mr E says QIC caused damage when drilling inside the property went through to the outside. I've seen that C's quote includes costs totalling £1,025 for replacing damaged bricks and fascia, plus the provision of scaffolding for this work.

Despite repeated requests, I've seen no supporting evidence showing external damage. QIC don't accept liability for any damage to the external brickwork, fascia or soffits. In the absence of further evidence, I'm unable to say they should cover these costs.

(vii) Garden wall

I've seen that C's quotation included £900 + VAT for rebuilding the garden wall. QIC made no provision for this in their scope of works. They've provided a copy of their surveyor's report on this wall, which noted signs of historic movement as well as clear signs of recent disturbance. The surveyor concluded that, although not likely to collapse, the wall needed remedial work. He felt it could be repaired rather than needing to be rebuilt.

Mr E says every other wall in the street was either repaired or replaced following the flood. And that, whilst he accepts that there may have been some pre-existing damage, he believes it was fit for purpose before the flood.

QIC say the wall was already in need of replacement – and that they wouldn't normally expect a wall to be damaged by flooding. But that, to help get this matter resolved, they're prepared to offer 50% towards the cost of rebuilding it. I think that's fair and reasonable.

6. Other additional costs

(i) Reinstatement by Mr E's chosen contractor

In his final report on QIC's handling of the claim, Mr E stated the total cost of repairing the flood damage to his property to be £57,037.10 plus VAT. I understand Mr E hasn't yet paid C's invoice - he feels QIC should cover the full cost of this work.

Since submitting his report, Mr E has told us that some of the items included in C's final invoice were in fact supplied at zero or substantially reduced costs. These are:

<i>Building control fees</i>	<b>£585</b>
<i>Disposal of hazardous waste (bulk removal)</i>	<b>£970</b>
<i>Additional cost of replacing boiler</i>	<b>£1,570</b>

He's told us that he no longer seeks reimbursement for these.

For the reasons I've already explained, I'm satisfied that QIC were entitled to base their cash settlement on the amount they'd have paid their preferred contractor. So, I'm not persuaded that QIC should pay the full cost of having the property reinstated by C.

(ii) Professional fees

Mr E says he had to engage a loss adjuster, because otherwise he wouldn't have had enough money to reinstate his home. And that his loss adjuster had to appoint a surveyor, because QIC wouldn't take his concerns on board.

Mr E says that, as the loss adjuster's fee is calculated as a percentage of his buildings settlement, he had no option but to forego ten percent of the value of his claim. He says the loss adjuster's fee amounts to £5,703.71 and the surveyor's fee is £980. I haven't seen a copy of the invoices from the loss adjuster or surveyor, but in any event, I'm not minded to award these costs. I'll explain my reasons for this.

I've seen confirmation that C was one of the loss adjuster's recommended building contractors. The loss adjuster's website states that, if the customer opts to have reinstatement works carried out through their network of contractors, the entire representation fee is covered by the contractor. On that basis, I'm unable to see how Mr E could become liable to pay representation fees.

I appreciate Mr E's concern that his loss adjuster and contractor should be paid for the work they've carried out on his behalf. But I'm only able to consider losses incurred by Mr E, as he's the policyholder here. Our service doesn't have jurisdiction to consider losses incurred by others as part of this complaint.

I've seen evidence showing QIC offered to appoint a chartered surveyor to act as an independent arbitrator at no cost to Mr E. They say this offer was first made on 6 February 2020 - before Mr E instructed his own loss adjuster. I accept that this offer was made, because I've seen evidence confirming QIC had instructed a surveyor by 8 February 2020. For this reason, I don't consider it to have been necessary for Mr E to appoint his own surveyor.

(iii) Specialist reports on drying and presence of asbestos

Mr E's final report lists the cost of these reports to have been £687.00 plus VAT. After repeated requests for further evidence, only one invoice has been forthcoming about this specialist. This simply states:

*Agreed works as per our quote sent 16/10/20 – approval given 13/5/21      £687.00*

I'm not persuaded that this invoice relates to the reports about Mr E's property that were obtained in February and June 2020. In the absence of supporting evidence detailing specific costs Mr E has incurred, I'm unable to consider this point.

## 7. Delays - and additional alternative accommodation allowance sought

Mr E's policy says QIC will pay the costs of alternative accommodation if his home had become unfit to live in due to flooding. It says he must agree the costs with QIC before paying them - but that they won't cover alternative accommodation costs incurred more than 12 months after the date the property became unfit to live in.

I've seen evidence that Mr E and his wife chose to stay in a caravan - and that QIC agreed to cover the cost of £150 per week until 5 December 2020. He received payments totalling £8,430 for alternative accommodation during this period, which I find to be in line with the policy terms. But I've also considered whether QIC can be said to have been responsible for the delays that prevented Mr E from returning home for 18 months.

Mr E says QIC's estimate of the time it would take to reinstate his home was unrealistic, bearing in mind the two national lockdowns due to the COVID pandemic. He feels QIC caused delays from the outset – and that settlement could have been achieved much sooner if they'd taken his loss adjuster's comments on board.

He says work was completed at his property by the middle of April 2021, but due to the worsening of his wife's medical condition, he finally moved back in the middle of May 2021. He feels QIC should pay the agreed rate of £150 per week for the whole of this period, bringing the total payment for alternative accommodation allowance to £11,850.

QIC say they continually progressed and monitored Mr E's claim. They feel the main point of tension to have been the disputed elements which they considered to be pre-existing, rather than flood-related. They say the process was constantly frustrated by Mr E and his loss adjuster's repeated allegations against them, whilst not engaging with the independent surveyor they'd appointed or allowing the necessary investigations to be completed.

Based on the evidence I've seen, I do think QIC failed to progress things promptly in the early stages. Most notably, I'm not persuaded that they made appropriate progress in getting the property dried and obtaining specialist reports on pre-existing damage, before meeting with Mr E in February 2020 to agree the scope of works.

But I'm not persuaded that QIC were responsible for all the delays in getting things resolved. On the evidence I've seen, I find there to have been delays on both sides. And for that reason, I don't think it would be fair to direct QIC to pay further alternative accommodation expenses beyond 5 December 2020.

#### Putting things right

Based on the evidence I've seen so far, I do think QIC's scope of works omitted some works that were needed to reinstate Mr E's property after it was damaged by the flood. It follows that I consider the cash settlement paid for his buildings to have been too low.

That said, QIC have now offered to pay Mr E a further £500 for the additional electricity used during the drying stage and £540 towards the cost of rebuilding the garden wall. I think that's fair and reasonable.

I'm grateful to Mr E for taking the time to provide a personal impact statement explaining how these events have affected him. He describes the pride he felt in the work he'd done on his home over the years. He's told us that his wife had been through an incredibly difficult time due to illness – and that some of the improvements he'd made for her in the garden had only just been completed before the flood. I can appreciate how heart-breaking that must have been.

Mr E says that, when they left, QIC promised that the house was safe in their hands and that everything would be put right. But as time passed and things didn't seem to be progressing, he found himself increasingly anxious. After three months, he felt his property had deteriorated to a worse state and nothing had been done.

Mr E says that, over the 18 months since his first encounter with QIC, his life has been ruined. He describes how the stress he felt induced emotional changes such as depression, anxiety and anger. He's seen his wife's health deteriorate during this period, spending several weeks in hospital. He says he feels QIC should pay him compensation for lies, false information and hardship he's suffered.

I've given careful thought to what Mr E has told us. I think anyone who's had their home flooded would agree that it is an incredibly stressful experience. I can't say QIC are responsible for the full impact the flood has had on Mr E. I can only consider the effect of any errors they made in the handling of his claim.

I do think that, in the first three months after the flood, QIC didn't progress things as efficiently as they should have done. I say this because I'm not satisfied that appropriate progress was made to get the property dried and the necessary specialist reports obtained. I'm not satisfied that there was reliable evidence on which QIC could state that the property was dry by the time of the meeting on 6 February 2020. Nor have I seen any evidence that they provided a copy of the draft scope of works discussed at that meeting. I think that the combined effect of these errors caused Mr E a great deal of distress and led him to lose faith in his insurer.

I do think QIC's errors in those early stages caused Mr E considerable distress and anxiety. But I'm unable to say they were responsible for all the delays in this case. I consider £750 compensation to be fair and reasonable in the circumstances.

In my provisional decision, I said I was minded to uphold Mr E's complaint and direct QIC to pay Mr E:

- a further £1,040 in full and final settlement of his buildings claim, taking the total cash settlement for buildings to £38,180.98, including VAT;
- 8% simple interest on the additional sum payable to Mr E, calculated from the date of payment of the original settlement to the date of payment of the outstanding amount;
- £750 compensation for the distress he's been caused.

I invited both parties to send me any further information or comments they'd like me to consider.

### **Responses to my provisional decision**

QIC said they didn't entirely agree that there were errors in the early stages that warranted the additional £1,040. But that, due to the length of time this matter had been ongoing and the stress this must be placing on Mr E, they were willing to accept my provisional decision if all parties were in agreement.

Mr E disagreed, providing a lengthy document in response. I don't intend to discuss all his comments here, because some of his points repeat arguments already put forward in response to our investigator's view. But I want to reassure Mr E that I've read and considered all of the information he's provided to us.

I'll summarise the new points Mr E made:

- He'd provided a copy of information obtained from QIC's original contractor, including file notes and discussions that proved he'd been forced to accept a cash settlement. Mr E considers this to be fundamental to the decision-making process, but he'd seen no mention of it in my provisional decision.
- It isn't fair or appropriate that he should be forced to start repairs until a reasonable sum had been agreed. And it wasn't appropriate for QIC to stop paying for alternative accommodation less than two months after their final offer on 6 October 2020. Mr E feels he should have been given at least four months after that offer to complete the repairs.
- If he'd taken QIC's initial offer of £16,000 and started repairs, he would very quickly have found that this wasn't enough. He'd have been left with a half-stripped property with the alternative accommodation payments running out fast. He feels QIC disputed every argument that was put forward, so questions how he would have got on without the help of his own loss adjuster.

- Mr E's contractor arranged for the disposal of hazardous ACM materials in accordance with the applicable laws and regulations. He failed to see why the supporting documentation provided by the contractor hadn't been accepted as evidence of this cost.
- The flood water had come up under the bathroom floor, in the cavity walls, above the bathroom tiles and below them. Although the bathroom tiles may not be porous, the grout and flooring are susceptible to water damage, regardless of whether the floor is concrete or wood. Water will migrate into the gaps between the tiles and start to cause de-bonding.

Mr E provided a photo showing an area behind the toilet and bath, where pipes had been boxed in. He said there's no doubt whatsoever that water had entered these areas – and that removing moisture would leave particles which will eventually cause dry rot.

He provided a copy of handwritten notes made by QIC's original contractor, dated 6 January 2020, which clearly state that the boxing-in to the head of the bath needed to be removed. It goes on to suggest removal and replacement of the tiled floor, clearing and sanitising of the void and joists, and removal and replacement of the wall tiles.

- Screeding the whole kitchen floor would amount to betterment. But the insurance company must carry out a long-lasting repair, and it's pretty much impossible to do this without some form of betterment.
- QIC's statement that they don't pay OHP is false.
- He thought he'd already provided evidence of the external damage to the walls of the property. He hadn't been able to find this evidence but would continue to look for it.
- Mr E didn't accept that QIC should pay only 50% of the cost of replacing the garden wall. This was a new for old policy - and there's no way of completing a 50% repair.

### **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'm grateful to both parties for taking the time to respond to my provisional decision. I've given careful thought to the additional points Mr E has raised. But although I realise this will be disappointing for Mr E, I'm not persuaded by the further submissions that I should depart from my provisional decision, and so I adopt that reasoning here. I'll expand on some issues for clarity:

#### "Forced" cash settlement

Mr E feels very strongly that notes obtained from QIC's first contractor conclusively prove QIC attempted to force him to accept a low cash settlement. I can confirm that my original review of this case included careful consideration of those notes. They include a record of a phone call from QIC, in which the contractor was told they wouldn't be awarded the contract to carry out the repairs to Mr E's property. This said QIC's representative:

*"...ended up forcing cash settlement as they found all sorts of pre-existing complicating issues, mainly with dry rot in the floor and such. He advised he forced cash settlement with the PH at somewhere around £#k and the PH became irate..."*

As this record consists of just two sentences, I take it to be a very brief summary of a longer conversation. The contractor's notes also record a phone call from Mr E a few hours earlier. I'm satisfied that this earlier note clearly records QIC having offered him the option of using one of their contractors, as an alternative to cash settlement. It says:

*"Mr E phoned advising that the ins co are using another contractor or cash settling."*

In my provisional decision, in my discussion about pre-existing issues at the property, I explained why I wasn't persuaded that QIC had attempted to force Mr E to accept an offer of around £16,000 in full and final settlement. I've seen no new evidence on this point, so my decision remains unchanged. But I hope that the additional explanation I've now provided clarifies my reasoning.

#### Alternative accommodation allowance

It's very clear that there were delays in the progress of Mr E's claim, which meant QIC weren't in a position to make a final settlement offer before 6 October 2020. And that ultimately the delays increased the amount of time Mr E had to stay away from his home.

But, as I explained in my provisional decision, I'm not persuaded that QIC were solely responsible for this. I find there to have been delays on both sides. I've seen no new evidence on this point, so I see no reason to direct QIC to pay any further expenses for alternative accommodation.

#### Professional fees

I appreciate Mr E feels he wouldn't have been able to handle the dispute about the repairs to his home without the help of his loss adjuster. But, as I explained in my provisional decision, I've seen no evidence that Mr E will be liable to pay a fee for this service. So I'm unable to consider this.

#### Disposal of hazardous waste

The final report Mr E provided on 19 May 2021 included a reference to the following cost:

*"£970.00 - disposal of hazardous waste (bulk removal). Isolated working to cut out the channels for the rewire. Sealing in of asbestos to encapsulate."*

QIC questioned this cost, which they considered to be much higher than they'd expect for one property. Our investigator made repeated requests for a copy of the invoice for the removal of this waste. On 18 October 2021, Mr E's loss adjuster emailed a response, saying:

*"This was done in bulk with other properties on the street to save costs. I'm happy to say zero cost if it helps to speed up and put this one to bed as we can allocate the cost to the other job."*

I still haven't seen a copy of the contractor's invoice confirming the cost of the bulk removal of hazardous waste. Nor have I seen any indication as to how much of it was likely to have come from Mr E's property. So I've been unable to reconsider this point.

#### Bathroom floor and wall tiles

Mr E has provided a photo showing an area behind the toilet and bath where pipes were boxed in. He says flood water would have entered these areas - and that removing the moisture would leave particles which will eventually cause dry rot. I've thoroughly reviewed



the scope of works QIC used to calculate their final cash settlement offer. I've seen that it included the cost of removal and replacement of the boxing-in behind the toilet and bath. So I'm satisfied that there was no dispute over this aspect of the work.

Despite repeated requests since 8 June 2021, I've seen no evidence showing the bathroom tiles had de-bonded, or that there were potentially harmful contaminants underneath them, which would justify their removal and replacement.

Mr E has provided a copy of handwritten notes made by QIC's first contractor during the initial survey of the property on 6 January 2020. Mr E says this shows the first contractor said it was necessary to remove the tiles. But I'm not persuaded that these notes change things. I find them less persuasive than the reports provided more recently by the two surveyors in March and August 2020. I set out my view of those reports in my provisional decision, so I won't repeat it here.

#### Kitchen floor

The evidence I've seen shows that, before the flood, there was a click-together laminate floor covering in the kitchen. Mr E feels a new concrete screed needed to be applied to the whole area to make sure the replacement laminate floor covering would provide a lasting repair.

I've seen no supporting evidence showing the existing floor was unsuitable as a base for a laminate covering. So, my view on this remains unchanged.

#### Kitchen units and appliances

In my provisional decision, I said I was satisfied that QIC didn't make an error by not adding OHP to the cost of the fitted kitchen because they wouldn't pay this to their contractor. Mr E says this isn't true. But as I haven't seen any supporting evidence showing why he feels this to be incorrect, I've been unable to consider this point any further.

#### External damage

Despite repeated requests since 8 June 2021, no supporting evidence has been provided showing external damage to the property. So I'm unable to consider this.

#### Garden wall

In my provisional decision, in the section on pre-existing issues, I discussed the terms and conditions on which QIC provided cover to Mr E. They're set out in the policy booklet. I noted that no cover is provided for loss or damage that happened as a result of wear and tear or gradual deterioration. And that, if QIC decide damage was caused or made worse because the building wasn't in a good state of repair, they may refuse to pay for it, or reduce the amount they pay.

QIC say the garden wall was already in need of replacement – and that they wouldn't normally expect a wall to be damaged by flooding. They provided a copy of their surveyor's report, dated 15 May 2020, which noted signs of historic movement as well as clear signs of recent disturbance. The surveyor concluded that, although not likely to collapse, the wall needed remedial work. He felt it could be repaired rather than needing to be rebuilt. The report included a number of photos of the wall.

In response to my provisional decision, Mr E said the garden wall was standing prior to the incident and was therefore fit for purpose. And that there was no way of completing a partial

repair because the incident had caused the wall to collapse. I don't find these comments to be consistent with the surveyor's report and photos I've seen. And I haven't seen any new evidence to suggest the wall had in fact suffered greater damage than was shown in that report.

QIC offered 50% towards the cost of rebuilding the garden wall. In the absence of any new evidence of more serious damage to it, I remain of the view that their offer is fair and reasonable in the circumstances.

### **My final decision**

For the reasons I've explained, I uphold this complaint and direct QIC to pay Mr E:

- a further £1,040 in full and final settlement of his buildings claim, taking the total cash settlement for buildings to £38,180.98, including VAT;
- 8% simple interest on the additional sum payable to Mr E, calculated from the date of payment of the original settlement to the date of payment of the outstanding amount;
- £750 compensation for the distress he's been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 23 March 2022.

Corinne Brown  
**Ombudsman**