

The complaint

Mr B has complained about how Zurich Insurance PLC (Zurich) dealt with a claim under his home insurance policy.

I'm aware that Mr B has a representative for this case but, for ease, I will normally only refer to Mr B.

What happened

Mr B made a claim for a flood when sewage entered his home. Zurich investigated the claim and took a few months to accept it. Mr B complained to Zurich about the delays before the claim was accepted and afterwards. When Zurich replied to the complaint, it agreed there had been some delays with the claim caused by Zurich that would have caused Mr B stress and inconvenience. It offered Mr B a total of £400 compensation, which was made up of £325 for the claim delays and £75 because Zurich replied late to the complaint itself.

Mr B then complained to this service. Our investigator upheld the complaint. He said it was reasonable for Zurich to assess whether it should accept the claim and that Zurich had updated Mr B when it accepted the claim. Mr B had also chosen to remain in the property. However, there were avoidable delays, including that although the property naturally dried over many months, Zurich could have started to dry and sanitise the property when the claim was accepted. In addition, there was a lack of progress on the claim for a couple of months after it was accepted, including Zurich having to be chased to provide instructions. He said Zurich should pay a total of £525 compensation for the distress and inconvenience caused, which included the £75 offered for the delay in sending the response to the complaint.

As Zurich didn't agree, the complaint was referred to me.

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.

Having done so, I uphold this complaint. I will explain why.

Mr B complained about the delays in Zurich accepting his claim. So, I've looked at this. From what I've seen, when Mr B first contacted Zurich, it promptly started to assess the claim. However, Zurich found that works were taking place at the property that it was unaware of. It therefore referred the claim to its underwriters to consider whether this non-disclosure meant the claim should be declined, as it wouldn't have accepted the risk has it known about the renovations. The underwriter then asked for the claim to be put on hold and requested further information from Mr B's broker. About six weeks after the initial referral, the underwriter agreed the claim could proceed. During that time, although it was reasonable for the underwriter to make enquiries, there seem to have been a couple of times when the underwriter could have progressed matters more quickly, which I think meant the claim could have been accepted about two to three weeks earlier.

Mr B also complained that he wasn't told for many months that the claim has been accepted. Zurich has provided evidence to show when it told Mr B's loss assessor and broker that the claim had been accepted. This was shortly after the underwriter said the claim could progress and a couple of months earlier than Mr B suggested he has been told. I'm not clear from the evidence whether Mr B was told directly that the claim had been accepted, but given Zurich told his loss assessor and broker, and they were acting on his behalf, I think it's reasonable to expect that he would have been told by at least one of them. If this didn't happen, I don't think that is down to Zurich.

When the claim was accepted, from what I've seen, no assessment was then made by Zurich about whether it should take steps to dry the property. I've only looked at this issue up to the date on which Zurich issued its final response to Mr B's complaint. The final response said Zurich was pleased that approval had now been given to dry and sanitise the property. Zurich hasn't provided any explanation for why, after the claim was accepted, it didn't then assess the drying situation beyond saying the property dried naturally over the months after the claim was first made. I'm unable to comment on this in much more detail because the timeframe I've seen for the property being dry is after the date of the final response letter. I'm also unable to say what Zurich would have decided had it assessed the drying situation shortly after it accepted the claim. However, I don't think Zurich has provided a satisfactory response for why it didn't look at this issue, I think it could have taken steps to progress the claim at this stage and, in my view, Zurich's lack of action would have caused Mr B concern and inconvenience.

Mr B has also said the delays in progressing the claim affected him because he continued to live in the property. I'm aware that the sewage affected the lower part of the property and that Mr B lived on the first floor in a part he was converting into a flat. This seemed to have its own kitchen and washing facilities. From what I've seen, Zurich and Mr B discussed the option of him moving to accommodation elsewhere. However, Mr B told Zurich he was willing to live in the property if Zurich paid him £200 per week, which Zurich then agreed to. So, I think Mr B made the choice to stay in the property and when he did so, he knew about the sewage. The £200 weekly payment, which seems to be a disturbance allowance, was also higher than I would normally expect an insurer to pay. So, I think that was fair.

However, I can understand that Mr B didn't expect the claim to take as long as it did to progress and so he was unlikely to have expected to live in those conditions for the amount of time he did. I've also noted that Mr B had existing health problems and new health issues during the time-period I'm considering.

I'm also aware that Mr B and his loss assessor contacted Zurich on a number of occasions for updates on the claim. Sometimes Zurich seemed not to reply, despite chasing, and after the claim was accepted, contractors said they awaited further instructions from Zurich, so couldn't take action on some aspects of the claim.

So, I've thought about an appropriate level of compensation. I'm aware that both parties have strong views about what happened and the level of compensation. I think the claim initially progressed reasonably, that it was reasonable for the underwriters to assess the claim, including making enquiries, and that Zurich then promptly explained the claim had been accepted. However, I think there were delays in the underwriting review process and after the claim was then accepted, no assessment seemed to take place about the situation with drying the property or sanitisation. I haven't seen a satisfactory explanation for why this didn't happen. I think there were also times when Mr B or his loss assessor had to chase for responses to emails and updates, including on the status of the claim, and that Zurich also hadn't always provided instructions to contractors, even though it had a reasonable amount of time in which to do so.

I think the combination of the delays and issues will have caused Mr B concern and distress, including that Zurich hasn't been able to explain why it didn't take steps to assess the drying situation promptly once the claim had been accepted. I'm aware that it was Mr B's choice to live in part of the property but that doesn't mean I should ignore his circumstances and the impact those delays had on him. So, thinking about everything that happened, and looking at the levels of compensation we would generally consider reasonable, I think Zurich should pay a total of £525 compensation made up of £450 for the delays and distress and inconvenience caused to Mr B and the £75 Zurich offered for the delay in responding to the complaint.

Putting things right

Zurich should pay Mr B £450 for the distress and inconvenience caused to him by the delays and related issues and the £75 it offered for the delay in replying to the complaint.

My final decision

For the reasons I have given, it is my final decision that I uphold this complaint. I require Zurich Insurance PLC to pay Mr B a total of £525 compensation made up of £450 for the distress and inconvenience caused to him and the £75 it offered for the delay in replying to the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 April 2022.

Louise O'Sullivan
Ombudsman