

The complaint

Mrs M complains about her insurer, Fairmead Insurance Limited (Fairmead). Her complaint relates to their handling of a claim under her home insurance policy for damage caused by a leak from the boiler in her tenanted property, as well as the amount offered by Fairmead to settle the claim.

Fairmead use agents to administer the policy. Reference to Fairmead includes these agents.

What happened

In September 2019 the tenant at Mrs M's rental property told her the boiler was leaking. Mrs M contacted a plumber, who inspected the boiler and advised it would need removing to find the source of the leak. The size and location of the boiler meant removing the door and doorframe of the cupboard housing the boiler. Mrs M replaced the boiler shortly afterwards.

Mrs M also contacted Fairmead to report the issue and sent photographs of the damage. Fairmead asked her to provide a quote for repairing the damage. This took some time, in part because of Mrs M being unwell, meaning that a quote (for £4,850) wasn't received by Fairmead until December 2019. Fairmead then appointed a surveyor (B), who inspected the damage. B's report concluded the damage wasn't due to the leak, occurring before Mrs M took out her policy (June 2019). Based on the report, Fairmead declined Mrs M's claim.

Mrs M challenged the decline and disputed B's findings. Fairmead sent her the full report with a request she provide photographs and other evidence to support her view the damage occurred from the leak. Mrs M provided further evidence which Fairmead reviewed and decided to cover certain areas they agreed were damaged by the leak. But they maintained their position there were areas where the damage wasn't from the leak, so wouldn't be covered. From the areas they thought were damaged by the leak, together with B's estimate of the costs of repair, Fairmead made a settlement offer of £2,784 in March 2020.

As Mrs M's quote was much higher than B's estimate, Fairmead asked B to validate Mrs M's estimate. Following this validation, Fairmead made a revised settlement offer of £4,780 in June 2020. This was based on Mrs M's estimate (£4,850) plus the cost of trace and access (£430) less the policy excess (£500). However, during this period Mrs M had major surgery that meant a prolonged period of recuperation. So, she wasn't able to respond to Fairmead's revised offer until January 2021. She didn't accept the offer and complained to Fairmead.

Fairmead rejected the complaint, confirming their revised offer as full and final. They also confirmed their view that damage to other areas was unrelated to the boiler leak (and predated the start of the policy). Fairmead also said they'd consider an additional amount in respect of VAT, if Mrs M could supply a VAT invoice once repairs had been completed.

Mrs M then complained to this service. Her main issue was that Fairmead's offer didn't cover all the areas she thought were damaged by the leak, so she wouldn't accept their offer. She was also unhappy at the time taken by Fairmead to respond to her complaint (five months) and they hadn't been understanding of the difficult circumstances with her health.

Our investigator upheld the complaint, concluding Fairmead hadn't acted fairly and needed to take further action. He wasn't persuaded that B's report provided an accurate or complete picture of what had happened, so it wasn't reasonable for Fairmead to base a settlement on the report. On the specific areas of the property, he didn't think the report was sufficient to decline cover for damage to the lounge. He also thought that damp in the kitchen could have arose in the period between the leak and B's inspection, as could warping to the laminate flooring. The investigator concluded that a fair outcome would be for an independent assessor to consider the damage and for Fairmead to consider the claim under the remaining terms and conditions of the policy.

Fairmead disagreed with the investigator's conclusions and requested an ombudsman review the complaint. They said that their position was unchanged from that set out in their final response.

In my findings, I thought Fairmead's revised offer (based on the quote from Mrs M's builder and including any VAT element on production of a VAT invoice) was fair and reasonable. However, I didn't think the damage to the kitchen wall was clearly due to the leak. I also thought it reasonable for Fairmead to assess any drying and damp treatment that may be required as part of the reinstatement work for the areas covered by the quote from Mrs M's builder as part of the settlement of the claim.

Given the length of time from when the incident occurred, I wasn't persuaded that a further independent assessment now would be able to determine with any certainty what was the result of the leak, as opposed to what has happened since.

On Mrs M's concerns about the length of time taken by Fairmead to consider her complaint, while complaints handling isn't an activity that falls within the remit of this service, as it appeared Mrs M didn't make a formal complaint until June 2021 (though there were earlier exchanges indicating her disagreement on issues with her claim). As Fairmead's final response was sent later in June 2021, I didn't think that unreasonable.

On Mrs M's concern that Fairmead hadn't been understanding of the difficult circumstances with her health, I didn't see anything from Fairmead I thought indicated a lack of understanding or discourteous or unprofessional.

As I reached different conclusion on the level of compensation to that of our investigator, I issued a provisional decision to give both parties the opportunity to consider matters further. This is set out below.

What I've provisionally decided – and why

I've considered the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'd first want to say that I appreciate what Mrs M has told us about her health issues and the impact they've had on her, particularly over the period since the leak and during the handling of her claim. I can understand that this has affected her ability to consider matters relating to the claim and her dealings with Fairmead. I've borne this in mind when considering my role, which is to decide whether Fairmead has acted fairly towards Mrs M.

The central issue is whether the damage at the property was due to the leak from the boiler (as Mrs M maintains) or was due (at least in part) to issues that pre-dated the policy or were due to existing issues, such as damp (As Fairmead maintain, based on B's report).

I've considered carefully both views, together with the available information and evidence. B's report concluded that the damage was either pre-existing (the kitchen and stairwell) or wasn't due to the leak (the lounge). The report also noted damage to the boiler cupboard, though it wasn't possible to determine what may have been due to the leak and what was caused by the trace and access to identify the leak and the subsequent removal of the old boiler and its replacement. Based on B's report, Fairmead initially declined the claim in full. However, following challenge from Mrs M, they accepted some damage had been caused by the leak (including the lounge flooring, the boiler cupboard walls and first step of the stairs), eventually offering £4,780. As this offer includes the quote from Mrs B's builder (and would also include any VAT element on production of a VAT invoice on completion of the work) I think that's fair and reasonable. Part of the quote would seem to be for replacement of the boiler cupboard doorframe (which the indications are that it was removed to allow removal of the old boiler). While this is arguably not directly damage caused by the leak, as Fairmead have included it in their offer, I think that's reasonable.

Having offered a settlement that included the quote from Mrs M's builder, then the key issue for me to consider is whether it's fair and reasonable or (as Mrs M maintains) it doesn't include the cost of repairs to other areas she says were damaged by the leak (principally the kitchen wall) or items not included in the quote. B's report concluded that there was damage to the wall from the 'works' (which I've taken to mean the works to remove the old boiler and replace it). The report also concluded that the damage was pre-existing over a period and that damp was present (B was told that a previous tenant had complained about it). I've thought about this carefully, but on balance I'm not persuaded that the damage to the kitchen wall was clearly due to the leak. I know this will be disappointing to Mrs M, so I'll explain why I've come to this view.

As well as the comment in B's report about the damage being from the 'works' (to replace the boiler) I don't think the location of that part of the kitchen wall under the stairs is such that it would have been likely to have been affected by the leak from the boiler. Whereas the part of the lounge floor affected was immediately adjacent to the boiler cupboard. I've also considered the fact that the quote from Mrs M's builder covered the lounge floor, boiler cupboard walls and the first stair. Which suggests those were the areas the builder thought directly affected by the leak. The quote didn't include the kitchen wall, suggesting it wasn't something directly affected by the leak. I've also considered that when Mrs M challenged the initial decline of her claim, the evidence is that she disputed the issue of damage in the lounge (not the kitchen).

Having concluded that Fairmead acted reasonably in making a settlement offer based on Mrs M's builder's quote (for the affected areas) but that the damage to the kitchen wall wasn't likely to have been directly caused by the leak, I've also considered Mrs M's other points about what wasn't covered in the quote. She says that decoration, plumbing, electrics and damp treatment aren't included. I can see that Fairmead's offer includes the cost of trace and access for the leak, which is reasonable.

What's not clear is whether repair of the damage from the leak would involve electrics or decoration (that wasn't included in the quote). On damp treatment, I can see that B's report recommended the use of drying equipment (should the claim be accepted) so I think it would be reasonable for Fairmead to assess any drying and damp treatment that may be required as part of the reinstatement work for the areas covered by the quote from Mrs M's builder as part of the settlement of the claim.

I've also considered the recommendation from our investigator that an independent assessor should evaluate the damage from the leak and that Fairmead should consider the claim under the remaining terms and conditions of the policy. However, as the leak occurred in September 2019 and my understanding is that there hasn't been any mitigation since that

time, I'm not persuaded that any assessment now would be able to determine with any certainty what was the result of the leak, as opposed to what has happened since.

When Mrs M made her complaint to this service, she also raised concerns about the length of time taken by Fairmead to consider her complaint (which she said was five months). While complaints handling isn't an activity that falls within the remit of this service (unless directly linked to those aspects of a complaint that do fall within our remit) I've considered what Mrs M has said. From the case notes provided by Fairmead, including email correspondence between them and Mrs M, I can't see Mrs M making a formal complaint until her email of 9 June 2021 (though there are exchanges before that date indicating her disagreement on issues to do with her claim). As Fairmead's final response was sent on 16 June 2021, I don't think that's an unreasonable timeframe.

On Mrs M's concern that Fairmead hadn't been understanding of the difficult circumstances with her health. I haven't been provided with any call recordings between Mrs M and Fairmead, so I'm not able to conclude whether Fairmead hadn't been understanding of Mrs M's circumstances. Looking through the email correspondence, while there are gaps when Mrs M has been unwell (and refers to the circumstances) I've not seen anything from Fairmead I think indicates a lack of understanding or that I consider discourteous or unprofessional.

Taking all these points together, then I've concluded Fairmead acted fairly and reasonably in making a settlement offer based on the quote provided by Mrs M's builder for those areas affected by the leak. I'm also not persuaded, on the balance of probabilities, that the damage in other areas was clearly the result of the leak. However, I do think it would be reasonable for Fairmead to assess any drying and damp treatment that may be required as part of the reinstatement work for the areas covered by the quote from Mrs M's builder as part of the settlement of the claim.

My provisional decision

For the reasons set out above, it's my provisional decision to uphold Mrs M's complaint in part. I intend to require Fairmead Insurance Limited to:

- assess any drying and damp treatment that may be required as part of the reinstatement work for the areas covered by the quote from Mrs M's builder as part of the settlement of the claim.*

Fairmead responded to accept my provisional decision, although they raised a concern that – depending on what was meant by 'damp treatment' – that might not be covered under the policy as it could be considered 'betterment' (that is, it would be putting Mrs M in a better position than before the incident).

Mrs M responded to the provisional decision to make several points. Firstly, that an electrical survey was carried out on her property in June 2019 that concluded it was in good order. Secondly, to provide examples of what she thought was Fairmead's attitude and lack of consideration towards her and her health issues. Thirdly, the quote from her builder didn't include the damage to the kitchen walls because when the builder visited, they didn't realise the kitchen walls had been damaged by the leak (and the kitchen walls were adjacent to the boiler cupboard). Fourthly, that with increasing costs across the building sector, the quote from her builder needed to be updated.

Mrs M also raised points of detail about specific paragraphs and references in my provisional decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

My role here is to decide whether Fairmead have acted fairly towards Mrs M.

I'd first want to reassure Mrs M that I've considered all her responses and additional evidence and information (including documents, reports and photographs). I've also considered her points of detail on my provisional decision. I haven't responded to each of these points of detail, but where appropriate I've reflected them in what I've decided.

Taking each of Mrs M's substantive points in turn, on the first point, Mrs M has provided a copy of a domestic electrical installation condition report (dated June 2019). The report sets out its purpose is to confirm (as far as reasonably practicable) whether the electrical installation is in a satisfactory condition for continued service. And that the report should identify any damage, deterioration, defects and/or conditions which may give rise to danger. As such, the report's focus is on one aspect of the property's condition (the electrical installation) rather than its condition as a whole, or that of other aspects of the property. But what it doesn't do is provide evidence about the substantive issues of Mrs M's complaint, which are about the damage caused by the leak and whether the settlement offer from Fairmead is fair and reasonable.

On the second point, I appreciate Mrs M's views about the way she feels Fairmead have treated her, particularly given the difficult circumstances she's faced with her health. I understand her view, but taking both the specific examples she's provided along with the other evidence and information (such as that from Fairmead's case notes) I don't think it changes my conclusion about how Fairmead have acted towards her.

On the third issue, Mrs M says the quote from her builder didn't include the damage to the kitchen walls because when the builder visited, they didn't realise the kitchen walls had been damaged by the leak. I've thought about this carefully. From what Mrs M has previously said, there was some delay in her being able to find a builder to visit and produce a quote. That being the case, if the visit was some time after the leak, it's unclear why – if the kitchen walls were damaged by the leak, given their proximity to the boiler's location – the damage wouldn't have been apparent to the builder. Particularly given the damage observed (and included in the quote) to other areas close by the boiler cupboard. So, I'm not persuaded this supports the view that any damage to the kitchen walls can reasonably be held to have been caused by the leak. So, I haven't changed my view on this point.

On the fourth point, I recognise Mrs M's point about inflation being higher than usual and the cost of some commodities has increased sharply. As a result, there has been an increase in costs of rebuild materials. As well as building materials, other costs have also increased including labour costs. Given this, as well as the time that's elapsed since the quote provided by Mrs M's builder (which was the basis of Fairmead's cash offer) I think it would be fair and reasonable for the quote to be updated to reflect current prices (for the same scope of work as the original quote).

On Fairmead's point about the nature of 'damp treatment' might not be covered under the policy as it could be considered 'betterment', as a principle when settling claims we'd expect an insurer to put a consumer in the same position they were in before the incident occurred. In the circumstances of this case, I think that means reinstating those areas of Mrs M's property as they were before the leak. I'd expect the quote from Mrs M's builder to cover the work necessary to do that, including any work to ensure the affected areas were in a position for the reinstatement work to be carried out – including any work on drying or damp treatment. I think it would be for Fairmead to consider the scope of the work contained in the

quote and assess it in line with the policy terms and conditions (including any aspect they think could be considered betterment).

My final decision

For the reasons set out above, it's my final decision to uphold Mrs M's complaint in part. I require Fairmead Insurance Limited to:

- settle Mrs M's claim through a cash settlement based on an updated quote from Mrs M's builder to reflect current prices (for the same scope of work as the original quote).
- assess any drying and damp treatment that may be required as part of the reinstatement work for the areas covered by the quote from Mrs M's builder as part of the settlement of the claim, in line with the policy terms and conditions.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 15 July 2022.

Paul King
Ombudsman