

The complaint

Ms C and Mr C complain about Admiral Insurance Company Limited's handling of a claim under their home insurance policy after a fire at their house.

What happened

Ms C and Mr C have a home insurance policy with Admiral which covers their contents and buildings amongst other things.

They made a claim in November 2019 after a fire in their cellar. The fire appears to have started electrically and took out the electrics in the house, as a result of which it was deemed uninhabitable.

Admiral accepted the claim and agreed to cover repairs to the house, replacement of damaged contents and alternative accommodation for Ms C and Mr C.

Ms C and Mr C weren't happy with the way the claim was handled and made a complaint to Admiral.

They said there had been avoidable delays in settling the claim, which were down to Admiral. Amongst these there were delays caused when Admiral priced the repair work too low and wouldn't accept surveys which suggested the price would be considerably higher.

They said Admiral had failed to find acceptable alternative accommodation, which meant they had to stay in a hotel. But they were threatened with "eviction" from the hotel by Admiral's agents.

They said communications from Admiral and their agents, including the loss adjuster and the company tasked to find alternative accommodation, were poor, often delayed and misleading.

They said their policy was itself misleading and unclear after a dispute arose about whether they were underinsured for their home's contents.

And they said Admiral had treated them unfairly, particularly given their age and health problems, and had damaged their reputation when they said one alternative accommodation wasn't available to Ms C and Mr C because they'd failed financial checks.

Admiral provided a final response to Ms C and Mr C's complaints in October 2020. They paid Ms C and Mr C £400 in compensation for the trouble and upset caused by poor communication and avoidable delays in the handling of the claim.

Ms C and Mr C weren't happy with this outcome and brought their complaint to us. They want Admiral to pay their contents claim in full. And they want more compensation for the stress and inconvenience they've suffered, particularly given their age and health problems.

Our investigator looked into it and didn't think Admiral had done anything wrong. She felt the £400 compensation already paid to Ms C and Mr C by Admiral was fair and reasonable.

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.

First of all, I should say how sorry I was to hear about the fire at Ms C and Mr C's home. It must have been an extremely upsetting and worrying time for Ms C and Mr C. And I can fully appreciate why they were very keen to have their claim sorted as soon as practically possible.

Admiral have admitted that there were delays which might have been avoided. And they've admitted that communications with their agents were sometimes not at the standard they would like. That's why they've paid Mr C and Ms C £400 in compensation.

When I look at the timeline for the handling of the claim, I can see from the evidence we have that the contents claim was cash settled in around June 2020. The buildings element of the claim was also cash settled, at around the same time. That's around seven months after the fire.

It's not reasonable to expect complex claims like this to be settled within weeks. The insurer is entitled to take a reasonable amount of time to assess the losses and damage - and to agree a way forward with their customer.

All cases are different, but if everything ran entirely smoothly, you might expect a claim like this to be settled within say three or four months, once surveys had been carried out and a scope of works for repairs agreed.

It's fair to say that in this case, things did not run smoothly. Issues arose about the contents claim, with Admiral suggesting that Ms C and Mr C were underinsured (I'll come back to this later). And there were disagreements over the cost of the repairs to the house.

I should say at this point that Ms C and Mr C appointed a loss assessor to work on their behalf, as they were perfectly entitled to do. It also became clear that a cash settlement would be the best way to proceed, rather than have Admiral arrange the repair work.

This inevitably led to some quite prolonged discussion and negotiation about the cost of the repairs. Admiral originally costed the work at just over £30,000. They eventually settled at more than £50,000. Ms C and Mr C say this shows Admiral didn't act in good faith at first and costed the repairs at an unreasonably low level.

I don't necessarily agree that's the case. Admiral or their agents will be able to source work from contractors at a cheaper level than a member of the public, simply because of their position in that market as a regular customer. The price of building materials also increased significantly during the relevant period.

Admiral did eventually settle the buildings part of the claim at over £50,000. Ms C and Mr C haven't complained about that. It was settled within seven months or so of the fire. And that was after some difficult negotiations with the loss assessor working on Ms C and Mr C's behalf.

At risk of over-simplification, I'd put it this way – Ms C and Mr C quite reasonably wanted Admiral to settle the claim with a higher pay out. They employed a loss assessor to conduct negotiations on their behalf. If both sides in that negotiation are keen to achieve a settlement to their best advantage, it will inevitably take some time to reach a compromise.

Admiral have admitted they caused some delays, including failing to have a forensic check carried out in a timely manner. But I can also see from the records we have that responses from the loss assessor to reasonable requests for information from Admiral were often considerably less than immediate.

In that context, I don't think £400 is unreasonable compensation for Ms C and Mr C for the delays and poor communications – and therefore additional stress – caused by Admiral. I have to bear in mind that whilst I can see that the whole experience has been horrendous for Ms C and Mr C, Admiral didn't cause the fire in their house.

There was inevitably going to be a degree of distress and inconvenience for Ms C and Mr C. Admiral didn't cause it all. I can only ask them to compensate Ms C and Mr C for the *additional* trouble and upset their actions specifically caused. And I think the £400 they've already paid isn't unfair and unreasonable compensation for that.

Turning now to the contents element of the claim, I can see Admiral settled the claim by making a payment of just over £18,000 to Ms C and Mr C. They say Ms C and Mr C appeared happy with that amount at the time it was offered. Mr C tells us he was left with no choice and asked to accept on a tight deadline.

Whether Ms C and Mr C appeared happy to accept the pay out at the time is irrelevant in terms of my decision. They are perfectly entitled to re-think their position when given more time. The key for me is whether the claim was settled fairly.

I don't think it's disputed that Mr C told Admiral when he bought the policy that £25,000 would be sufficient cover for all the contents of his and Ms C's home. There's a recording of the call in which that's quite clear. And that's the sum for which their contents were insured.

Admiral have also sent us documentation that was sent to Ms C and Mr C at each renewal. This advises the customer that they must let Admiral know if their circumstances have changed in any way, to ensure that they are adequately covered.

Mr C says the policy documents show an upper limit of £70,000 for contents. That's the upper limit available to any customer under the particular type of policy Ms C and Mr C were being sold. The lesser sum they were actually insured for - £25,000 – is set out clearly in the documentation. And, as I say, it's what Mr C told Admiral his and Ms C's contents were worth when he took the policy.

If Mr C had said his contents were worth more than that, they would have paid a higher premium. They paid a premium to provide £25,000 of cover for *all* the contents of the house.

After the fire, Ms C and Mr C made a contents claim for around £25,000. This was, they said, the cost of replacing the damaged items – mainly those destroyed by the fire in the cellar.

Clearly then, Ms C and Mr C were in fact underinsured for the contents of the whole of their house. They were insured for £25,000 in total. They claimed around that amount of the contents damaged in the cellar fire alone.

I have no doubt at all that this was an honest mistake on Mr C's part when he was buying the insurance and/or when he renewed it. But it's not unreasonable, in that context, for Admiral to say that Ms C and Mr C have been under-paying for their insurance and that they'll therefore settle the claim proportionally.

Mr C has said that he wasn't told when he bought the policy what the consequences of

underinsurance might be. I wouldn't necessarily expect that to be made clear in the sales call. Mr C was asked a straightforward question about the value of his contents and he gave a straightforward answer. And the agent asked Mr C to confirm he was sure. It would be perhaps rather rude for the agent at that point to warn Mr C about the repercussions of him giving inaccurate information.

I'd also ask Ms C and Mr C to look at the policy booklet sent to them when they bought the policy. At page 19, in a section about how claims will be settled, this says:

"If you fail to notify us of corrections or changes to the details on your policy documents, we may decide to proportionally reduce the claims settlement or even refuse to pay you at all.... If you have paid only 75% of what your premium should have been, we will pay no more than 75% of your claim."

In summary, I don't think Admiral have acted in any way unfairly or unreasonably towards Ms C and Mr C in the way they've settled the contents element of the claim. And I don't think Ms C and Mr C are justified in suggesting that their policy was unclear or that they'd never been told about the consequences of underinsuring their contents.

I'll turn now to the complaints about the alternative accommodation provided for Ms C and Mr C.

Under the terms of the policy, Ms C and Mr C were entitled to suitable alternative accommodation for a period of time whilst repairs were scoped and carried out, if their home was uninhabitable – which it was.

Ms C and Mr C moved temporarily to a hotel, whilst Admiral's agents sought a short-term let for a suitable property. One suitable property was effectively lost to another prospective renter.

There's some dispute about how that happened. Admiral seem to have suggested Ms C and Mr C failed some kind of financial check – which the letting agency subsequently denied. Ms C and Mr C say that Admiral's loss adjuster unnecessarily delayed getting approval for six months' rent to be paid in advance – which is what the letting agent required.

It seems the agent would only do business on the basis of six months' payment in advance. That's likely because they were concerned about continued payment if the insurer decided to cease making alternative accommodation payments.

It wasn't unreasonable for the loss adjuster to seek approval of that expenditure. And in the meantime, the property was taken by someone else. I can't justifiably blame Admiral for the fact that they might be less 'agile' or speedy when seeking to take out rental agreements than a private renter.

Several further properties were offered to Ms C and Mr C. All of which were in some way unsuitable or were, in Mr C's own words "dumps, in bad areas".

I don't think it was unreasonable for Admiral to assume that their agents were doing the best they could to find suitable accommodation for Ms C and Mr C. And after all, they were paying out more for the hotel and so had a financial interest in getting Ms C and Mr C into alternative accommodation as soon as possible.

And it wasn't unreasonable to then offer a cash settlement so that Ms C and Mr C could seek their own alternative accommodation. This happened reasonably soon after it became apparent that the agent wasn't going to be able to find suitable alternative accommodation.

I can also see that Ms C and Mr C were paid a disturbance allowance – amounting to several thousand pounds – during the time they were in the hotel.

Taking all of that into account, I don't think Admiral acted unreasonably or unfairly towards Ms C and Mr C in the way they provided alternative accommodation under the terms of the policy.

It appears that at some point, the hotel questioned whether Ms C and Mr C should be there, given the national COVID lockdown and the fact they were providing accommodation only for key workers at that time. Ms C and Mr C took the warning that they might be moved out of the hotel as a threat that they needed to agree other alternative accommodation.

It's possible this was communicated badly to Ms C and Mr C. But I'm satisfied the £400 compensation offered to Ms C and Mr C for poor communications and delays is sufficient to cover this particular incident as well as the other occasions when Admiral's – or their agent's – communications fell below the standard they'd expect.

In summary, I agree with Ms C and Mr C that they were at times treated unreasonably or unfairly by Admiral, who on occasion failed to communicate with Ms C and Mr C in a clear and timely manner.

But I'm satisfied that the compensation paid to them by Admiral was sufficient given the degree of additional distress and inconvenience they were caused by Admiral's – or their agents' – actions, over and above the inevitable trouble and upset caused to them by the very fact of the fire and the damage to their house.

My final decision

For the reasons set out above, I don't uphold Ms C and Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C and Mr C to accept or reject my decision before 28 June 2022.

Neil Marshall
Ombudsman