

The complaint

Mr and Mrs H complain that Royal & Sun Alliance Insurance Limited (“RSA”) have unfairly declined to pay costs related to an escape of water claim under their home insurance policy.

What happened

The background of this complaint is well known to all parties, so I’ve summarised events.

- In May 2021 Mr and Mrs H contacted RSA to report an escape of water.
- RSA sent an agent to inspect the damage.
- An inspector from the local water authority attended the property. Mr and Mrs H have said they were told by them to have the affected pipe replaced as a localised repair would likely lead to a further leak in the future.
- Mr and Mrs H appointed their own contractors to resolve the issue and replace the affected pipe. These costs came to around £1,770.
- RSA accepted the claim but said it would only pay Mr and Mrs H the sum it would’ve cost its own contractor to repair the pipe, not replace it, in line with its policy terms.
- Following Mr and Mrs H’s complaint, RSA stood by its position on the claim but acknowledged mistakes in its handling, offering £100 in compensation.
- The complaint came to this Service and our Investigator initially didn’t uphold the complaint, saying the policy terms allowed RSA the choice of how to settle the claim. And as RSA says it would’ve been able to repair the pipe, it wasn’t required to cover additional works.
- The Investigator also recognised mistakes RSA had made, particularly around communication and needing to chase for information. She felt the £100 compensation was sufficient to recognise the impact caused by its mistakes.
- Mr H disagreed, commenting that RSA’s suggestion that replacing a 50-year-old length of pipe was betterment was disingenuous – which would’ve prevented problems in the future and was in line with the water authority inspector. He also sought to claim an additional £500 for repairs to his concrete drive. And he stressed the impact this claim had on him and Mrs H.
- The Investigator looked again and didn’t change her mind on the claim and said RSA’s settlement included appropriate costs for the drive. But in light of Mr and Mrs H’s comments felt the impact was greater than previously recognised, recommending RSA pay £175 in compensation.
- RSA agreed, but Mr H didn’t. Reiterating the advice that he was given by the water authority inspector.

So, the complaint has been passed to me for an Ombudsman’s final 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.

I'm upholding this complaint. I'll explain why.

The claim

- Mr and Mrs H's claim for escape of water has been accepted. So, I have to consider if RSA has acted fairly when settling the claim.
- The policy says RSA will pay for the cost of work carried out in repairing or replacing the damaged parts of the buildings and agreed fees and related costs. This decision in how to settle the claim falls to RSA's discretion, providing the works would be effective and lasting.
- The policy goes on to say:
"The amount we will pay where repairs are carried out will not exceed the lesser of:
 - *the cost of the work had it been completed by our nominated contractor,*
 - *the cost of the work based upon the most competitive estimate or tender from your nominated contractors."*
- RSA's experts have said they could've completed a spot repair of the section of damaged pipe. I've been given no independent expert opinion to persuade me that this repair wouldn't have been possible nor lasting and effective. And so, on its face, I think it's reasonable for RSA to rely on the opinion of its experts, and I wouldn't expect it to cover unnecessary or preventative works.
- I recognise the replacement of a length of pipe may avoid future issues. So, I accept Mr H was likely given this information from the water authority inspector and his own contractor. But the insurance simply doesn't cover preventative measures – and as I've said, I've been given no expert commentary or evidence to show this *necessary* to complete an effective and lasting repair.
- So overall, I'm satisfied RSA's commentary about the replacement of the pipe being betterment is accurate. And I'm not directing it to cover anything further.
- I also recognise Mr H's experience in these matters. But his commentary hasn't persuaded me the replacement of the pipe is the *only* way of completing a lasting and effective repair in this instance.

Claims handling

- ICOBS 8.1. requires insurers to handle claims promptly and fairly and to provide appropriate information on a claim's progress. In this case, it seems RSA hasn't met these obligations, I say this in light of poor communication in places, which it has acknowledged. I won't repeat the details of this here as it has been detailed by our Investigator and RSA previously.
- I've thought carefully about these impacts on Mr and Mrs H in light of their personal circumstances, and I'm satisfied the Investigator's recommendation of £175 compensation is a fair and reasonable sum to account for RSA's mistakes.

My final decision

For the above reasons, I'm upholding this complaint. Royal & Sun Alliance Insurance Limited

must pay Mr and Mrs H £175 in compensation in total for its mistakes in handling this complaint. It may deduct from this sum, any amount already paid.

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

Jack Baldry
Ombudsman