

The complaint

Mr and Mrs K complain about how Accredited Insurance (Europe) Ltd has offered to settle their claim on their home insurance.

What happened

Mr and Mrs K had home insurance with Accredited. In June 2021 they made a claim under the accidental damage cover after they dropped a pot on a porcelain tiled floor in their kitchen. This meant tiles across a number of rooms needed to be replaced.

Accredited accepted the claim and put together a scope of works which costed the work at around £40,000. However Mr and Mrs K were unhappy with its contractors so requested a cash settlement instead. Accredited asked them to obtain two quotes for the work for it to consider.

Once the quotes were provided Accredited said they were too high as they were around £7,000 more than its costing. It said it would agree to a cash settlement but only at the amount it would cost it to do the work. It also said it would only pay once Mr and Mrs K provided invoices on completion of the work.

Mr and Mrs K were unhappy with this. They said it would be easier for them to have the money upfront so they could project manage the work as needed. They made a complaint.

Accredited didn't uphold their complaint. It said it would agree to make interim payments as parts of the work were completed, but only on receipt of invoices to show that the work had been carried out.

Unhappy with this, Mr and Mrs K brought their complaint to this service.

Our investigator considered all the issues and recommended the complaint be upheld. He said as Accredited had agreed to a cash settlement at a set amount, it was reasonable that it made payment based on the necessary repairs, and didn't think it was fair that it required an invoice before making payment.

Mr and Mrs K accepted our investigator's outcome. However Accredited didn't agree and asked for it to be reviewed by an ombudsman.

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.

Accredited has accepted liability for the claim, and has offered to carry out the work using its own contractors or pay a cash settlement based on how much this would cost it. While this is less than the quotes provided by Mr and Mrs K, we wouldn't say this was unreasonable as they've requested the cash settlement when it would have been possible for Accredited to carry out the work. So it wouldn't be fair to ask Accredited to pay more than this would have cost it.

However, it's said it will only make payment on receipt of an invoice to show the work has been completed. And I agree with our investigator that this is unreasonable. I'll explain why.

Accredited has agreed the claim is covered under the policy and confirmed the amount it will provide cover for. It's also agreed to pay this as a cash settlement. When a cash settlement is offered, this concludes the insurer's responsibility for the claim as the amount paid is full and final, so the insurer would have no ongoing involvement in the claim. And as Accredited has agreed the limit of its liability, I don't see any reason why this can't be paid upfront. As it represents its liability under the policy and no more than that.

Further, as the amount has already been agreed, and this is less than Mr and Mrs K will be able to get the work done for, the invoices aren't required to confirm the cost of the work. So I can't see that they will provide any additional information that would change the insurer's liability under the policy. But instead it would mean Mr and Mrs K would be out of pocket while they waited to be refunded.

Accredited has said that invoices will provide it with proof that the work has been carried out, as otherwise it has nothing to confirm that this is what the money has been spent on. However this isn't enough to persuade me that it's a fair approach. It's accepted the damage is covered under the policy and the amount it will cost to put right, so it is required to settle its liability.

For these reasons, I agree with our investigator that Accredited should pay Mr and Mrs K the agreed cash settlement of £40,954.44 without the requirement for them to provide invoices for the work.

My final decision

For the reasons I've given, I uphold Mr and Mrs K's complaint. I require Accredited Insurance (Europe) Ltd to pay them a cash settlement of £40,954.44 to settle the claim, without requiring them to provide an invoice.

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

Sophie Goodyear
Ombudsman