

## **The complaint**

Ms K and Mr M complain about the settlement figure offered by esure Insurance Limited following damage caused by an escape of water, under their buildings insurance policy.

## **What happened**

In November 2020 Ms K and Mr M made a claim to esure when they found a water leak had damaged their bathroom wall and floor.

esure says it wasn't initially clear what the cause of the leak was. It says Ms K and Mr M advised it was due to a leaking water pipe. But they didn't want esure to send a surveyor out because of the pandemic. A desktop assessment was performed by its surveyor based on information Ms K and Mr M had provided. esure initially thought the leak was more likely to be the result of failed sealant, so it declined the claim.

In February 2021 esure says Ms K and Mr M made contact again. A plumber had investigated the problem further and found the leak originated with the shower. Solder has worn away from the feed pipe to the shower allowing water to escape. esure sent a surveyor to inspect in March 2021. Following this the claim was accepted and the business offered a settlement payment based on its costing of the required repairs. This came to £963.93 before removal of the policy excess.

Ms K and Mr M provided quotes for the repairs showing a significantly higher cost at £4,722 and another for £4,500. esure says this included repairs not covered by its policy. It asked for revised quotes. A further quote was provided in March 2020 that reduced the lower quote from £4,500 to £3,900. This quote was to replace tiles on the shower wall only, removing the cost of tiling to the other areas previously included.

esure says the initial quote included repairs that weren't covered by the policy. It thought the revised quote should be reduced by much more than £600. esure subsequently increased its offer to £1,123.60 and later to £1,669.50 minus the policy excess. Its final offer included a 50% contribution toward the cost of tiling to the undamaged areas.

Ms K and Mr M didn't think this was fair. After the £450 excess was removed, the settlement payment was far less than it would cost to carry out the repairs. They complained to esure but it didn't change its offer. Ms K and Mr M then advised esure in April 2021 that they had instructed another contractor to carry out the repairs, as they couldn't wait any longer. Mr M's health condition was impacted by a lack of access to full bathroom facilities. They told esure that they would provide the full invoice showing the cost of repairs.

In mid-July 2021 Ms K and Mr M say the repairs were completed. They contacted esure and provided an invoice for £3,055 in August. This showed works to repair the damaged areas only. But esure maintained its previous settlement offer. They remained unhappy with this outcome and so referred their complaint to our service.

Our investigator upheld their complaint. He thought it was clear from the quotes provided that it would cost much more for Ms K and Mr M to carry out repairs than esure had offered.

He says as esure wasn't offering to carry out the work it should pay what it would cost Ms K and Mr M to repair the damage. He also thought it fair for esure to pay £100 compensation for the trouble and upset caused.

Esure didn't agree and asked for an ombudsman to consider the complaint.

I issued a provisional decision in April 2022 explaining that I was intending to uphold Ms K and Mr M's complaint. Here's what I said:

*provisional findings*

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

*I understand Ms K and Mr M had concerns about a surveyor visiting their home during the pandemic. So, a desktop assessment was agreed first. esure wasn't satisfied from its desktop assessment that the cause of the leak was something covered by the policy. So, it wasn't until it carried out a site inspection in March 2021 that it could fully validate the claim.*

*I think it's reasonable that esure attempted a desktop assessment initially in light of Ms K and Mr M's concerns. I don't think it's been shown that it was unfair for it to decline the claim for the reasons it gave. It's reasonable to expect an insurer to be able to validate a claim before accepting liability. In the circumstances I don't think this could've been achieved sooner.*

*esure offered a settlement payment based on its surveyor's costings. I have read the policy terms to understand what is expected in the event of a claim like this. The terms say:*

*"How we settle your claim: Buildings:*

*...If Your Buildings suffer loss or damage as a result of any of the other circumstances listed in Your policy booklet, We can choose to:*

- pay the cost of work carried out to rebuild, replace or repair Your Buildings; or*
- arrange for Your Buildings to be rebuilt, replaced or repaired; or*
- pay the difference between the market value of the Buildings immediately before the loss or damage happened and the market value immediately after the loss or damage happened. If repair or replacement cannot be economically carried out, any payment We make will not exceed the Rebuilding Cost.*

*In any event, We will not pay any extra cost for extending or improving Your Buildings once they are rebuilt.*

*Where it is possible to rebuild, replace or repair Your Buildings but You do not agree with these settlement options, We will pay You cash based on the rebuild, replacement or repair cost to Us.*

*Where We choose to appoint a recommended supplier to rebuild, replace or repair Your Buildings, these repairs will be guaranteed for a period of 12 months following the date of completion."*

*I think it's clear from the terms that esure can choose how it wants to settle a claim. In this case it didn't offer to arrange the repairs but chose to offer a settlement payment for Ms K and Mr M to pay their choice of contractor. We don't think this is an unfair approach. But the underlying principle of this type of insurance is that the policy indemnifies the customer against the loss it covers – that is the customer must be placed back in the position they*

were in before the damage occurred.

*I have thought about whether esure's settlement was fair with this principle in mind. The first two quotes Ms K and Mr M obtained included work to areas not costed by esure. More specifically, this was to remove and replace the tiles from all walls and the floor. esure didn't think this was covered as only the shower wall and the floor under the bath was damaged.*

*Ms K and Mr M supplied a revised quote reducing the cost by £600. I can understand why esure didn't think this reflected the savings from the reduced scope of works. From the photos of the bathroom there are three walls that are tiled. The shower wall that was damaged. The adjacent wall with the attached sink that isn't damaged. And the wall at the foot of the bath, which although not shown fully in the photos, appears to be tiled in the same way as the other walls, but again not damaged.*

*The contractor initially quoted to remove and replace the floor tiles and all wall tiles, along with the plasterboard. Based on the evidence I think esure's concerns that this would cost more than £600 is understandable. So, I don't think it was unreasonable that it asked for revised quotes. That said there is still a significant difference between esure's costings, and the revised quote Ms K and Mr M were able to obtain.*

*In August 2021 Ms K and Mr M supplied esure with an invoice from the contractor they eventually used. This isn't one of the contractors that provided the original quotes. The invoice includes a description of the repairs that were carried out. This says:*

*"replacement of bathroom suite after leak + re-tile damaged area. Take out + refit bathroom suite; remove tiles + plasterboard from damaged rear wall/refit new; remove debris; decorating and make good."*

*The contractor charged £3,055 for this work which aligns with the scope of works costed by esure. It doesn't include any work to undamaged areas.*

*The policy does allow esure to provide a cash settlement but in this case it hasn't indemnified Ms K and Mr M for their loss. The first two quotes included some repairs not covered by the policy. I think it's fair that esure disputed the amounts and also questioned the £600 reduction. But the eventual work carried out cost £3,055, which is £1,500 less than the lower of the initial quotes. This is significantly more than the cost of repairs esure calculated.*

*Insurers often have arrangements with companies that mean they can have repairs carried out for less than the market rates. From the evidence provided I'm not persuaded esure's settlement offer reasonably reflects the cost Ms K and Mr M needed to pay to carry out the required repairs.*

*esure didn't offer to carry out the repairs, so it should provide a settlement payment that considers what it cost Ms K and Mr M to arrange the work.*

*When considering esure's costings, Ms K and Mr M's quotes, and the final cost of works, I don't think the settlement offered by esure indemnifies them against their loss. On balance I think the final invoice for the repairs is reasonable, for the reasons discussed here. And I think the business should pay Ms K and Mr M what they paid for the repairs, in settlement of their claim.*

*Esure received a copy of the final invoice in August 2021. This shows the repairs were carried out in line with its scope of works. I don't think it responded fairly in dismissing Ms K and Mr M's claim at this time and in maintaining its offer for roughly half the repair cost they*

*had paid. Because of this esure should pay 8% simple interest from the date it received the invoice until it pays this amount in full.*

*In summary I don't think esure treated Ms K and Mr M fairly when handling their claim. The repair costs are significantly higher than esure accepted to be the case, which I don't think was reasonable. This delayed settlement of the claim causing Ms K and Mr M distress and inconvenience. I think it's fair that esure pays £200 compensation to acknowledge this.*

I said I was intending to uphold this complaint and esure Insurance Limited should:

- pay Ms K and Mr M a total of £3,055 to settle their claim plus 8% simple interest calculated from the date it received their invoice until this is paid. If esure considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms K and Mr M how much it's taken off. It should also give Ms K and Mr M a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate; and
- pay Ms K and Mr M £200 compensation for the distress and inconvenience it caused them.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

esure responded to say that it thought the costs quoted by Ms K and Mr M were excessive. It says the labour cost for carrying out works on a 7.5m square bathroom equates to £333 per square metre. It says the invoice refers to removing the bathroom suite when only the bath was required to be removed.

esure says "*Wedi boards*" are relatively inexpensive and it thinks Ms K and Mr M's contractor may have quoted for putting this on all the walls. It says this then lends itself to replacing all tiles as well. esure says it doesn't see how this invoice can be comparable to the required works. It queries whether our service has seen photos to show whether the whole bathroom has been re-done or just the damaged area.

esure says its not required to appoint contractors in line with the policy, but that doesn't mean it should become liable for exorbitant costs.

Ms K and Mr M responded to say they are satisfied with the outcome set out in the provisional decision. They supplied a further timeline describing the key events. They also queried whether the policy excess would still apply in the event the outcome set out in the provisional decision became the final decision. We responded to say the policy excess is payable whenever a claim is made, which is the case here.

### **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 acknowledge esure's further comments that it thinks the cost of the repairs demonstrated by Ms K and Mr M are excessive for the area in question. I also note its concern that the repairs may incorporate areas of the bathroom that should not be included in the claim.

I have again considered the repairs specified in the invoice Ms K and Mr M paid. It says:

*"replacement of bathroom suite after leak + re-tile damaged area. Take out + refit bathroom*

*suite; remove tiles + plasterboard from damaged rear wall/refit new; remove debris; decorating and make good."*

I think this reasonably shows the work was to repair the damaged areas only. I note esure highlights a reference in the invoice to taking out and refitting the bathroom suite as opposed to just the bath. But I don't think this reasonably shows significant extra work was carried out to areas that didn't form part of the insured loss. Ms K and Mr M have supplied photos that show the bathroom was repaired using the same tiles and existing suite. I can't see that areas undamaged by the leak were included in the repairs, which is what they have confirmed.

I accept esure's policy terms mean it isn't required to appoint contractors to carry out the repairs. I acknowledge its point that it shouldn't be liable for exorbitant costs. But it is responsible for indemnifying Ms K and Mr M for their loss. I don't think esure has shown that the repair costs demonstrated by Ms K and Mr M are excessive or that its settlement offer will pay for the repairs to be carried out.

There is a significant difference between the settlement payment esure offered for £1,669.50 (minus the policy excess) and the cost Ms K and Mr M managed to get the work completed for.

I acknowledge the first two quotes Ms K and Mr M obtained were higher, amounting to £4,722 and £4,500. In my provisional decision I agreed with esure that this included works to areas it hadn't costed in the claim. A reduced quote was provided for £3,900. Given this excluded the work to replace the floor tiles and all wall tiles, included in the earlier quotes, I accepted esure's concern that this saving didn't seem to reflect the reduced scope.

However, the final invoice Ms K and Mr M paid for the completed work was £3,055. This appears reasonable, considering the earlier quotes and that the costs reduced cost due to the revised scope of work. The invoice shows the work is to repair the damaged areas covered by the claim. esure says this work could be completed for £1,669.50. But based on the quotes Ms K and Mr M obtained, I'm not persuaded this was possible. This means esure wasn't indemnifying their loss with the payment it offered.

Having considered all of this I don't think esure's settlement offer reasonably reflects the cost Ms K and Mr M incurred in carrying out the required repairs. I'm not persuaded by esure's further comments that the costs claimed by Ms K and Mr M are excessive and it should now pay these costs.

### **My final decision**

For the reasons I've explained above, and in my provisional decision, I uphold Ms K and Mr M's complaint. esure Insurance Limited must:

- pay Ms K and Mr M a total of £3,055 to settle their claim plus 8% simple interest calculated from the date it received their invoice until this is paid. If esure considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms K and Mr M how much it's taken off. It should also give Ms K and Mr M a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate; and
- pay Ms K and Mr M £200 compensation for the distress and inconvenience it caused them.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K and Mr M to

accept or reject my decision before 20 July 2022.

Mike Waldron  
**Ombudsman**