

## **The complaint**

Mrs W complains about Lloyds Bank General Insurance Limited's handling of a claim relating to a water leak in her kitchen.

## **What happened**

Mrs W has a home insurance policy underwritten by Lloyds which covers her home and its contents. In late May 2021, she made a claim after discovering a water leak in her kitchen.

The background to this complaint is well known to both parties, so in this decision I'm not going to give a blow by blow account of the way the claim was handled.

In brief, Mrs W was unhappy with delays in Lloyds' handling of the claim and poor service from them and/or their contractors.

Lloyds accepted the claim. But Mrs W says they unnecessarily delayed their inspection of the damage. And the survey failed to quantify her losses by taking measurements.

She says they offered to cash settle the claim, but with an unreasonably low offer, which turned out to be significantly less than the repairs eventually cost. And after she'd told them she wanted them to carry out the repairs rather than settle with cash, they offered her a cash settlement again – seemingly in ignorance of what she'd already told them.

She says the builders and or surveyors missed arranged appointments, turned up unexpectedly on at least one occasion, delayed responding to her or didn't respond at all, missed issues and damage, caused further damage to her kitchen and its contents and left her with an improvised cooking hob which was in fact leaking gas.

Mrs W says the claim handling by Lloyds, their surveyors and the contractors has been characterised by delays, a lack of replies to her queries and a complete absence of any proactivity in getting the necessary repairs completed.

She was also concerned at the amount of disturbance allowance Lloyds paid her given that she and her family stayed in a house with no adequate cooking facilities and a kitchen which, at times, couldn't be used at all.

Mrs W has made three complaints to Lloyds. Their final responses – in July 2021, August 2021 and December 2021 recognised and apologised for poor service and delays. And in total, Lloyds paid Mrs W £1,400 in compensation for the trouble and upset she'd been caused by their errors.

As I understand it, Lloyds have also now paid Mrs W a total of £3,180 in disturbance allowance for her and her two children for the period between August 2021, when repairs began on her kitchen through to the beginning of April 2022, when the repairs were to be completed.

Mrs W brought her complaint to us in October 2021. At that point, she wasn't happy with the progress of the claim, she felt the compensation wasn't adequate given the delays and other

issues and she wasn't being adequately compensated for the extra expense caused by her having no cooking facilities.

And despite the December final response from Lloyds increasing the compensation offered to £1,400 in total. Mrs W remains unhappy for those same reasons.

Our investigator looked into Mrs W's complaints. She thought the £1,400 compensation offered for Mrs W's trouble and upset was fair and reasonable. But she asked Lloyds to increase the amount paid in disturbance allowance to Mrs W.

After initially not accepting that outcome, Lloyds later agreed in principle the basis on which the investigator suggested the disturbance allowance should be calculated (£10 per day per adult and £5 per day per child). They paid Mrs W an amount of money on that basis, although I'm satisfied their calculations are wrong. I'll return to this in more detail below.

Mrs W disagreed with the investigator's view and asked for a final decision from an ombudsman. She still thinks the amount of compensation proposed is too low given the trouble and upset she's suffered. And she wasn't happy with the amount paid as disturbance allowance.

### **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 should say something first of all about the period under consideration in our investigation and in this decision.

Mrs W complained to Lloyds in July and in August 2021. They paid her £150 in compensation over the two complaints and admitted there had been delays and poor service.

Mrs W referred those complaints to us in October 2021 and we began our investigation. Mrs W then made a further complaint to Lloyds, getting a final response in late December 2021.

Because the latter complaint was largely about the same things – delays, poor service and the disturbance allowance – we added this to the existing complaint. Lloyds were clearly happy for us to do that – rather than start an entirely separate complaint.

The FCA rules which govern the way our service operates – the dispute resolution (or DISP) rules – allow us to look into a complaint only where the business concerned has already had a chance to resolve the complaint themselves.

In this case, Lloyds have had a chance to look at everything raised by Mrs W up until the time of the last final response they provided to her, in late December 2021.

If Mrs W has further complaints about how things have been handled since then, she would be entitled to raise a new complaint with Lloyds – and then refer that complaint to us if she isn't happy with Lloyds' response. But I can't now – in this decision - look at anything that's happened after the date of the last final response, which was 21 December 2021.

### ***Compensation for trouble and upset***

There's no dispute that Lloyds handled Mrs W's claim badly between late May 2021, when

she made it, and late December 2021. Lloyds have apologised for failures in the service provided to Mrs W and they've paid her £1,400 in compensation.

The remaining dispute now is whether that £1,400 is adequate, bearing in mind the degree of trouble and upset suffered by Mrs W.

I can see from the evidence and information we have on file that Mrs W's claim has been handled very badly – by Lloyds and/or their contractors. I've listed above some of their failings, which included missed appointments, unnecessary delays and leaving Mrs H with a faulty hob which leaked gas.

I can understand Mrs W's anger and frustration and I appreciate that the whole episode has caused her a significant amount of stress. As she says, it appears she's had to drive any progress on the claim and the repairs herself by almost constantly chasing Lloyds or their contractors when mistakes and delays have occurred.

That said, taking all the circumstances into account, I think the amount Lloyds paid to Mrs W for the delays and failings up to late December is fair and reasonable. I bear in mind that the period in question is seven months – and that Lloyds aren't responsible for all of the delays in that time. And in that period, Mrs W was without full cooking facilities – and occasionally, the whole kitchen.

As our website makes clear, we consider compensation awards between £750 and £1,500 appropriate in cases where the customer has suffered substantial distress, upset and worry and serious disruption to daily life over a sustained period (many months).

I think that's exactly what Mrs W has suffered and I note that the compensation Lloyds paid is close to the top end of that bracket.

We'd consider higher awards (above £1,500) appropriate usually where the customer had suffered substantial distress or severe disruption to their daily life, typically lasting more than a year, and/or some irreversible impact. And I'm satisfied Mrs W hasn't suffered that degree of trouble and upset – at least not in the time between May and December 2021.

### *Disturbance Allowance*

Our view is that where a policyholder remains living in a property which doesn't have the usual cooking and/or washing and/or other facilities whilst repairs are carried out, the insurer should compensate them for any additional expenses they incur.

We also take the view that it's often not practical or possible for a policyholder to itemise – and/or provide proof or evidence of – all additional expenses. And in those circumstances, we'd usually expect a disturbance allowance to be calculated at a rate of £10 per day per adult and £5 per day per child.

I needn't go to great lengths to justify that stance and/or explain why I don't consider Mrs W's case to be an exception to the usual rate, because eventually, after some debate, Lloyds have accepted that the usual rate *should* be applied in Mrs W's case.

That means we have an agreed basis for the calculation of the disturbance allowance payable to Mrs W. And I'm grateful to Lloyds for their willingness to agree that position.

However, I believe their actual calculations have gone awry and I'll explain why.

Lloyds have calculated a £20 per day allowance (Mrs W lives in the property with her two

children). And they've agreed that should be paid from the beginning of August 2021, when the repair work took her cooker out of operation, up to 6 January 2022, when Mrs W had a temporary cooker installed.

As I said above, I can only look at the period up to 21 December 2021, but I'd be surprised – and dismayed – if Lloyds didn't apply the same principle for the short period after that date and before 6 January 2022.

Lloyds calculate that to amount to £3,180 (up to 6 January 2022) and I agree with that calculation – at £20 per day, between the relevant dates.

However, Lloyds then subtracted from that amount £1,600 they'd already paid to Mrs W as a disturbance allowance. And so, they paid her a further £1,580.

The £1,600 previously paid to Mrs W was agreed between her and her personal claims handler (appointed by Lloyds). But that was at a rate of £200 per month and covered the period between August 2021 and March 2022 (inclusive) – eight months.

I'm looking at the period (five months) between August and December 2021 – as I explained above. I can't go further than that because Lloyds haven't received any complaint from Mrs W about the period after December 2021.

Lloyds are right to calculate the amount of disturbance allowance payable to Mrs W at £3,180 for that period (plus the few days to 6 January 2022). However, what they'd already paid Mrs W *for that period specifically* is £1,000 (at £200 per month) and not the £1,600 they subtracted from the disturbance allowance.

It's not strictly within the ambit of this decision, but I'll simply observe that if Lloyds agreed £200 per month for January to March 2022 (after the temporary cooker was installed), then that's an entirely separate matter and not something which should affect the disturbance allowance paid for August to December 2021.

I will simply note that the £200 per month was agreed in March 2022, long after Mrs W had her temporary cooking facilities installed in early January. I assume that, at that point, it was agreed that the disruption continued to some extent despite the temporary cooking facilities being in place – which stands to reason given that the repairs to the kitchen were still underway.

### **Putting things right**

As I set out above, I'm satisfied the compensation already paid to Mrs W for her trouble and upset is fair and reasonable.

However, taking into account the calculations set out above in relation to the disturbance allowance, Lloyds should have paid Mrs W a further £2,180 at the time they in fact paid her £1,580.

The £2,180 is the £20 disturbance allowance per day – over 143 days (1 August 2021 to 6 January 2022) - less the £1,000 (at £200 per month) already paid to Mrs W for the five month period August to December 2021.

Given that Lloyds paid Mrs W a further £1,580, they now need to pay her another £600 (£2,180 minus £1,580).

Mrs W has essentially been deprived of that money, since the period August to December

2021, when she should have received it to cover her extra expenses. So, I'm going to require Lloyds to pay interest on that £600 at 8% simple.

The money should have been paid when the expenses occurred – so, I'm assuming evenly through that five month period (August to December 2021). So, the interest should be calculated from the mid-point of that five-month period (which would be the middle of October 2021) to the date that Lloyds pay the amount set out in this decision.

### **My final decision**

For the reasons set out above, I'm upholding Mrs W's complaint.

Lloyds Bank General Insurance Limited must pay Mrs W a further £600 disturbance allowance to cover the period August-December 2021. And pay Mrs W interest on that amount at 8% simple, calculated from mid-October 2021 to the date they make this payment.

If Lloyds Bank General Insurance Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs W how much it's taken off. It should also give Mrs W a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 4 November 2022.

Neil Marshall  
**Ombudsman**