

The complaint

Mr S complains about how U K Insurance Limited trading as NIG Insurance ("NIG") settled his claim on his property insurance policy after an escape of water.

What happened

Mr S was the leaseholder of a property that formed part of a block, that he rented out to four tenants. In May 2021 he made a claim on the property insurance policy he had that was underwritten by NIG. The claim included the necessary repairs and alternative accommodation for his tenants.

NIG accepted the claim and eventually a cash settlement was agreed for the repairs. However NIG declined the part of the claim for the damaged laminate flooring as it said the floor wasn't glued to the ground so wouldn't meet the definition of a building fixture as laid out in the policy. It also said alternative accommodation would be capped at 25% of the rebuild cost of the property which it valued at £147,000.

Mr S wasn't happy with the decision on the laminate flooring or the alternative accommodation and he made a complaint. However NIG didn't uphold it. Unhappy with this, he brought the complaint to this service. He said that he also felt NIG should pay compensation for the delay in settling the claim and interest on the amounts it should have paid at the time.

While our investigator was considering the complaint, Mr S provided an email from his contractor confirming that the laminate flooring had been stuck under the beams and skirtings, so wasn't easily removed. Based on this our investigator recommended NIG accept the claim for the flooring and consider it in line with the remaining policy terms. However she thought the calculation used for the rebuild value of the property was a fair one so didn't think NIG should pay anymore for alternative accommodation. And didn't agree interest or compensation was due.

Mr S didn't agree and asked for the complaint to be reviewed by an ombudsman.

After the complaint came to me, I reviewed the available information and largely agreed with our investigator's outcome. However I thought that Mr S had done enough to show he had a valid claim for the laminate flooring, so instead of considering the claim I thought NIG should reimburse Mr S the amount it cost to replace.

NIG agreed to my recommended outcome. However Mr S didn't. He said he thought interest should be paid on the amount since the date he paid it until it was settled. And he still felt that compensation was due for the slow progress in settling the claim.

I've considered Mr S' comments, along with all other available evidence, when reaching my 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.

Mr S has said that there are four areas he is concerned about in this claim. I've addressed each of these in turn below.

Laminate flooring

NIG initially declined Mr S' claim for the laminate flooring, as it said that as it was a 'floating floor' and not glued to the ground, it wouldn't meet the definition of a fixture and should be dealt with under separate contents cover Mr S may have.

The policy states that it covers:

'Structure of the house, bungalow, block of flats (including fixtures & fittings) owned by you or for which you are legally responsible which has been declared to us and which we have accepted under this insurance...'

And it defines fixtures and fittings as:

*'Fixtures and fittings of the property including:-
Built-in furniture and built-in ovens and hobs, fixed glass and sanitary ware, pipes, ducts, tanks, wires, cables, switches, fires, boilers and storage heaters, all of which are permanently fixed.
Wall, floor or ceiling coverings, (other than carpets), all of which are permanently fixed.
Any of the above items awaiting permanent fixture to the buildings within a reasonable period of time.'*

So I agree that if the laminate flooring isn't fixed to the ground, it wouldn't reasonably meet the above definition and would therefore not fall under policy cover.

At the time it first assessed the claim NIG asked for the opinion of its loss adjuster and contacted Mr S' contractor who quoted for repairs to determine if the laminate floor was fixed or not. Both confirmed that it was not glued down. Mr S' contractor stated in an email:

'When I visited [the property], there was laminate flooring, floating style - clicks, not glued to sub floor'

So based on the available evidence at the time, I think NIG acted fairly by declining the claim.

However, since the complaint has come to this service, Mr S has provided further comment from his contractor and our investigator also contacted him directly. He has confirmed that the laminate flooring was difficult to remove 'because was stuck and under the beams and skirtings in all walls'. We've provided this information to NIG and I've recommended that it pays Mr S the full amount for the replacement laminate floor, which it has agreed to do. Based on the new information, I think this is a fair resolution.

Interest

Mr S thinks that because he has been without the money for the laminate flooring, he should be paid interest on the amount to make up for the time he has been without the funds.

I've considered his comments and while this service would usually consider adding interest for money that a customer has already spent, I don't think this applies here. This is because I think NIG acted fairly by declining the claim based on the information it had at the time it assessed it. And it is only since the new information from Mr S' contractor has been available that I think it should have reasonably been aware that its initial decision was incorrect. As that information only came to light after Mr S brought his complaint to this service, I don't think it would be fair to penalise NIG for the time between when it made its initial claim decision and when the new information was available. I therefore won't ask NIG to pay interest on the amount I'm directing it to reimburse for the laminate flooring.

Alternative accommodation and rebuild cost

Mr S has said that he doesn't think NIG's settlement for alternative accommodation is fair. As he thinks the rebuild cost it has based the policy limit on, is too low.

At this service, it isn't our role to say how much a property would cost to rebuild, but instead to assess whether NIG has come to its valuation fairly.

NIG has shown that it used a reliable guide that is commonly used in the industry. And this guide calculated the rebuild cost as follows:

'...a basic quality flat of the same size with minimal facilities might be rebuilt for £120,000 while an excellent quality flat might cost £174,000 to rebuild'

NIG initially used the lower end of the valuations, however later agreed to go with the midway point - £147,000. Mr S has argued that his property should be valued at the higher end as it should be classed as of 'excellent quality'. However this tends to be considered where the property has bespoke fittings and fixtures that are of above average quality. From everything that's been provided, I've not seen that Mr S' property would reasonably meet this description. And I think NIG has acted fairly by agreeing to the mid-range of the valuations.

Mr S has since provided a more recent valuation from the same guide, as well as providing one from a contractor that values the whole block. I've considered these but they don't change my position. When assessing this complaint, I need to decide if NIG made a fair decision at the time. And it wouldn't be fair to base my decision on new valuations that have been put together now, as prices may well have increased since the claim was made. Both reports provided by Mr S were produced in 2022, so it wouldn't be fair to ask NIG to change its decision based on these, as they weren't available at the time of the claim.

Mr S has said that even if inflation of around 7% is taken from the valuation provided by a surveyor, it is still higher than the valuation NIG settled on. But I don't think that's a fair way to reach a valuation. Partly, because many building costs have increased far above inflation, so it would be difficult to calculate what the difference would be. But also the valuation he has provided is for the entire block, which he has divided between properties, which isn't a reliable way of reaching the rebuild cost for an individual unit as it doesn't take into account communal areas or parts of the building.

For these reasons, I'm satisfied that NIG followed a fair process when reaching the valuation of the rebuild cost for the property, and therefore when calculating the limit for alternative accommodation under the policy. So I won't ask it to do anything differently in this regard.

Compensation

Mr S thinks that NIG unnecessarily delayed payment of the claim settlement and that it should pay compensation for the distress and inconvenience this has caused.

I've considered this and I don't agree compensation is warranted in the circumstances. While I appreciate it's taken some time for Mr S to get a settlement for the claim, large claims of this nature do often take many months to validate and settle. In order to say compensation was due, I'd need to be persuaded that NIG caused delays to the process that could have been avoided. And having reviewed the timeline of the claim, the correspondence and accounts from both sides, I've not seen anything that persuades me this is the case. So I won't ask it to pay compensation.

My final decision

For the reasons I've given, I uphold Mr S' complaint and require NIG to pay Mr S £3,922.29 for the laminate flooring.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 September 2022.

Sophie Goodyear
Ombudsman