

## **The complaint**

Ms J and Mr M complain that Royal & Sun Alliance Insurance Limited (RSA) has handled their claim on their home insurance policy poorly and that its settlement offer isn't fair.

## **What happened**

In October 2019, Ms J and Mr M made a claim on their home insurance policy because a water leak had damaged a bedroom in their flat. The water leak wasn't caused by anything that had happened inside Ms J and Mr M's flat.

RSA accepted the claim but said it needed confirmation that the water leak had been fixed before it could settle it. Ms J contacted two of her neighbours to find and fix the leak. In February 2020, one of Ms J and Mr M's neighbours confirmed a leak had been fixed.

Over the next few months, RSA queried with Ms J whether the fix to the water leak was temporary or permanent. Ms J asked her neighbour to confirm this but, having already fixed the leak, the neighbour became uncooperative and their relationship deteriorated. By June 2020, RSA accepted Ms J and Mr M had done all they could to confirm the water leak had been fixed.

RSA then offered Ms J and Mr M a cash settlement for the buildings element of their claim of £1,338.08 (minus their policy excess of £250). Ms J and Mr M say this isn't enough for them to get the repairs done. They have quotes from their own contractors of £4,500 and £4,800. RSA says these quotes are excessive for the work involved.

Ms J and Mr M have complained to us about RSA's handling of their claim and about the settlement amount it has offered them.

The investigator who looked at Ms J and Mr M's complaint upheld it in part. He awarded Ms J and Mr M £200 in compensation for the stress and anxiety RSA's delay in handling their claim had caused them. But our investigator thought RSA's settlement offer of £1,338.08 (minus the policy excess) was fair and reasonable.

RSA accepted our investigator's findings. But Ms J and Mr M didn't accept them. Among other things, they said the settlement figure RSA had offered them didn't cover all the damage to the bedroom caused by the leak. So Ms J and Mr M's complaint came to me to decide.

In my provisional decision of 29 June 2022, I explained why, like the investigator who looked at Ms J and Mr M's complaint, I intended to uphold it. But I also said some of the conclusions I'd reached differed from those of our investigator – so Ms J and Mr M and RSA needed to have an opportunity to comment on them.

In response to my provisional decision, Ms J and Mr M say they're happy that all the trouble they've had will be settled. RSA says it has no final points it would like to make in relation to its case. So Ms J and Mr M's complaint has come to me to decide.

## 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.

Having done so, and for the reasons I gave in my provisional decision, I've decided to uphold Ms J and Mr M's complaint. In my provisional decision, I said:

*“RSA agrees its delay in progressing Ms J and Mr M's claim caused them distress and inconvenience. I think RSA is right to do so. The water leak from the neighbouring property was fixed in February 2020. But it wasn't until June 2020 that RSA accepted this. While RSA was entitled to ensure the leak had been fixed before progressing the claim, I think it took too long to do this. Ms J clearly went to a lot of extra trouble to try to satisfy RSA's requests for confirmation that the repair was permanent. And I can see she also had to chase RSA for updates on the progress of the claim.*

*In these circumstances, and as RSA has agreed, I think it's fair and reasonable for RSA to pay Ms J and Mr M £200 in compensation for the distress and inconvenience it's caused them.*

*Turning now to the amount RSA has offered Ms J and Mr M to settle their claim. RSA's obligation is to put Ms J and Mr M back in the position they were in before their bedroom was damaged by the water leak. Home insurance policy documents normally give an insurer a choice about how to settle a claim, including an option to settle in cash (rather than, for example, getting its own approved agents to carry out repairs). RSA hasn't yet sent us a copy of Ms J and Mr M's home insurance policy document. But I think it's likely it contains a provision giving RSA the choice to settle Ms J and Mr M's claim in cash and I'm making this provisional decision on the assumption that it does. If RSA sends me the policy document and it says something different then I will look at this point again.*

*In Ms J and Mr M's case, RSA has told us it decided to settle their claim by making them a cash payment. As I've said, I think it's likely this is something it can choose to do under the terms and conditions of Ms J and Mr M's home insurance policy. But because it is RSA who want to make Ms J and Mr M a cash settlement (and not Ms J and Mr M who have asked for one), our approach is to say the amount of RSA's offer should reflect the cost to Ms J and Mr M of getting the repairs done.*

*RSA's settlement offer is much lower than the quotes Ms J and Mr M got for getting the repairs done themselves. Because RSA chose to cash settle Ms J and Mr M's claim, it doesn't seem to me that its offer will put Ms J and Mr M back in the position they were in before the water leak – their quotes show it will cost them more than RSA is offering to do this. So I don't think RSA has acted fairly and reasonably in offering to settle Ms J and Mr R's claim based on its scope of works, rather than Ms J and Mr M's quotes.*

*RSA has said Ms J and Mr M's quotes are excessive. It has, for example, commented that one of the quotes refers to up to six people being on site – and that a “small job” doesn't require six people. In contrast, Ms J and Mr M say the scope of works on which RSA has based its offer only includes “external repair, renewing the plaster and repainting the wall”. They refer to RSA's building validation report which says:*

*“Drying is required to the ceiling and walls at high level that are saturated. The walls above [t]he skirts are also saturated and salts have formed due to ingress over a period of time.”*

*Ms J and Mr M also note that RSA's validation report says there is potential for non-visible damage – so further damage might be uncovered once the damaged area is stripped back.*

*They say RSA's offer doesn't deal with any non-visible damage or the internal saturation of the wall. And they say their quotes do. I can see Ms J and Mr M's quotes cover drying out works and replastering with a damp solution. And their higher quote of £4,800 covers removing and refitting a built-in wardrobe, which both Ms J and Mr M and RSA agree hasn't been dealt with as part of their claim so far.*

*I'm conscious that it's now around two and a half years since Ms J and Mr M notified RSA of their claim. As far as I'm aware (and please could Ms J and Mr M let us know if I'm wrong about this), no repairs have been carried out to the bedroom. I acknowledge that RSA's scope of works is more limited than the quotes Ms J and Mr M have got, so there's disagreement about the nature of the repairs that are needed here. But this is a relatively small claim. I think RSA ought reasonably to have settled it long ago. And, in line with our approach in cases like these, I think the fair and reasonable thing for RSA to do would be to cash settle the claim based on the cost to Ms J and Mr B of getting the bedroom repaired – not the cost to RSA.*

*Based on what I've seen so far and because it was RSA's choice to cash settle this claim, I think the fair and reasonable outcome here is to direct RSA to pay Ms J and Mr M £4,800 (minus their policy excess) to settle their claim."*

As I've already said, Ms J and Mr M say they're happy their complaint is being settled. They've confirmed that no repairs have been carried out to their home. RSA has said it has nothing to add to my provisional decision. And, having looked at everything I've got, I can see no reason to change the findings and conclusions I reached in that decision (as I've set them out above) and these now form part of this final decision.

### **My final decision**

For the reasons I gave in my provisional decision of 29 June 2022, I uphold Ms J and Mr M's complaint and direct Royal & Sun Alliance Insurance Limited to pay Ms J and Mr M:

- £200 for the distress and inconvenience its delay in handling their claim has caused them.
- £4,800 to settle their claim, minus their policy excess (which I believe is £250).

Royal & Sun Alliance Insurance Limited should pay these sums within 28 days of the date we tell it Ms J and Mr M have accepted my final decision. If it doesn't, Royal & Sun Alliance Insurance Limited must pay interest at the rate of 8% a year simple on these sums from the date of my final decision to the date of payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J and Mr M to accept or reject my decision before 11 August 2022.

Jane Gallacher  
**Ombudsman**