

The complaint

Miss L's representative complains on her behalf that Zurich Insurance PLC (Zurich) have not offered to settle her claim on her home insurance policy fairly.

References to Miss L, or her representative, will include the other.

There are several parties and representatives of Zurich involved throughout the complaint but for the purposes of this complaint I'm only going to refer to Zurich.

What happened

In December 2018 a leak of water, from the flat above Miss L's flat, caused damage to her bedroom, so she made a claim on her home insurance buildings policy. Zurich accepted the claim.

Zurich attended Miss L's property at the end of February 2019 to assess the damage and completed a quote for repairs. Miss L also obtained a quote for the repairs to be completed by her own builder, but Zurich said this was excessive for the works required.

In March 2019 Zurich offered a cash settlement offer of £791.56. This was rejected. Zurich also said Miss L may use its builder repair network of approved contractors to carry out the work needed.

In July 2019 Miss L had the damaged repaired by her own building contractor at the cost of £2,380. This was completed without approval of cost by Zurich.

As there was no contact from Miss L to Zurich after May 2019, Zurich closed her claim at the end of February 2020.

In April 2021, Miss L appointed a representative who contacted Zurich to seek settlement for her builder's invoice from July 2019.

The invoice for the work completed in July 2019 was submitted to Zurich along with an invoice for £600 for a surveyor.

Zurich declined to pay the invoice for the repairs and made Miss L the same cash settlement offer as it had in 2019. Zurich also declined to settle the surveyor costs. It said the claim did not require the involvement of a loss assessor/surveyor and the surveyor was a family member of Miss L.

Miss L's representative said the cash offer for the repairs was not realistic. Zurich supplied a schedule of works and this mainly matched Miss L's representatives schedule with the exception of replastering the walls. Miss L's representative requested a breakdown of costs from Zurich, but it said it was unable to supply as it was a priced scope which it did not share with the policy holder.

As Miss L's representative was not happy with Zurich, they brought the complaint to our service.

Our investigator did not uphold the complaint. They looked into the case and said that Zurich had acted fairly and reasonably. They said Zurich was willing to complete the repair work and gave a detailed schedule of work and offered a cash settlement amount. They also said Zurich had fairly declined to pay the surveyor's costs, because it never asked Miss L to instruct one and if one was needed it would have provided one or instructed her to get one.

As Miss L's representative is unhappy with our investigator's view the complaint has been brought to me for a final decision to be made.

In my provisional decision I said

Settlement offer

I looked first at the policy terms and conditions and it says;

"Our payment to you

In the event of loss or damage to the Buildings caused by an insured risk We will pay the full cost of work for repairing or reinstating as new the damaged part of the Buildings provided the work is completed without delay."

I have seen that Zurich did give the option for Miss L to use its builder repair network of approved contractors to carry out the work needed as an alternative to the cash offer that was rejected. So I am satisfied it offered to put Miss L back into the position she was in before the escape of water into her bedroom and she would not be losing out.

Zurich gave Miss L the chance to be reimbursed by repair, but she didn't take it. It would be unfair for Zurich to be forced to pay the cost to the consumer (which is usually more than the cost to the insurer) when it's already done what's required under the terms of the policy.

As Miss L wanted a cash settlement, Zurich could not enforce a repair on her and must pay cash to settle the claim. But it's only required to pay her the cost to itself – which might be less than the cost to her. Insurers often have arrangements with companies that mean they can get things repaired or replaced for less than the market rate the consumer might pay. So there's a cost to the insurer, which could be different to the cost to the consumer. If that's not enough for the consumer to get repairs or a replacement, that's fair.

But we must be satisfied that the insurer's offer to repair or replace was fair to begin with, bearing in mind the guidance above. If not, then it hasn't actually offered to indemnify the consumer and so its offer is unfair.

In this case the cash offer to Miss L is £791.56. I have seen the breakdown of this amount, but it cannot be shared as it is commercially sensitive. I looked at the formula used, alongside two different explanations given to me by Zurich and I am not convinced the amount offered is a true reflection of the amount needed to undertake the work in 2019.

I do accept that since 2019 there have been increases in both material and labour costs. And I have taken into account that the repairs took place three years ago - and the cash offer was relevant then and not now in 2022.

I looked at the invoice submitted by Miss L in 2019. The net amount was £2,380. This invoice included the replastering of walls. And this work was not in the scope of the work agreed by Zurich. Unfortunately there was no breakdown of the individual costs in either the

invoice or estimate and Miss L's representative said the builder has now retired and is unable to be contacted.

Miss L's representative said "The quotation was submitted twice with the second indicating that the intention was to accept the estimate. There was no response to either submission and nor to the bill when sent on completion of the work."

I do not think that Zurich should have to settle this invoice in full as it never agreed to do so.

Zurich said its last contact with Miss L's representative was May 2019. However I saw in Zurich's claim file for Miss L, that it noted in June 2019 "have offered the customer a cash settlement of £1,600". I found no mention from Miss L or her representative that they had this amount offered.

Therefore I intend to uphold this part of Miss L's complaint and think the fairest way forward is that Zurich to pay the cash settlement amount from July 2019 of £1,600. I think this is fair as it sits between its current cash offer of £791.56 and Miss L's builder's invoice of £2,380, which included more work than Zurich had in scope.

Surveyor costs

In section four of the terms and conditions of the policy it says;
"Architects' and surveyors' fees, debris removal and government/local authority requirements

If they are necessary in the reinstatement of the Buildings following loss or damage by an insured risk We will pay:

a) architects', surveyors', consultants', and legal fees, but not fees for preparing any claim;"

Zurich said it was satisfied the claim did not require a loss assessor or surveyor as the claim was only for water damage to the bedroom and the reinstatement costs were relatively low.

Miss L's representative is also acting as her surveyor and has submitted an invoice for £600 for his services as a surveyor. The agreement is a private agreement between Miss L and the surveyor.

If Miss L's representative felt it was necessary for a surveyor to be involved to manage her claim, then this should have been authorised with Zurich prior to any work taking place.

In this case I do not think it was necessary for Miss L to engage with a private surveyor and as it was not authorised with Zurich beforehand, it would be unfair for me to require Zurich to pay it.

I do not intend to uphold this part of Miss L's complaint.

After Miss L's representative brought her claim to Zurich in 2021, it agreed the service offered had been slow and it offered £150 in compensation for this. I think this is fair in the circumstances. This has not been paid as details of where to send the amount were never submitted by Miss L's representative.

Therefore, I intend to partially uphold Miss L's complaint and intend to require Zurich to pay a cash settlement for the work completed of £1,600 to put right the damage caused by the escape of water into her property in 2019. And to pay the £150 compensation that was offered in July 2021.

Responses to my provisional decision

Miss L's representative responded to say neither himself nor Miss L had any further comment.

Zurich responded to say it did not have anything further to add.

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.

As neither Miss L's representative or Zurich have made any further comment, I maintain my provisional decision and I partially uphold Miss L's complaint.

I require Zurich to pay a cash settlement for the work completed of £1,600 to put right the damage caused by the escape of water into her property in 2019. And to pay the £150 compensation that was offered in July 2021.

My final decision

For the reasons I have given I partially uphold this complaint.

I require Zurich Insurance PLC to pay Miss L £1,600 as a cash settlement for the work completed in 2019 plus £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 14 September 2022.

Sally-Ann Harding
Ombudsman