

## **The complaint**

Mr M has complained about the poor handling of a claim he made under his home and buildings insurance policy with Lloyds Bank General Insurance Limited. He's also unhappy with the cash amount it paid to settle his claim.

All reference to the insurer Lloyds in my decision includes its agents.

## **What happened**

Mr M made a claim for damage to an outside wall and fence to his insurer Lloyds in February 2022. Lloyds appointed a claims handling team to deal with the claim on Lloyds' behalf.

Mr M wanted a cash settlement and in April 2022 Lloyds provided different cash settlement amounts to Mr M which prompted him to complain. Mr M was very unhappy with the handling of the claim and said unnecessary delays had been caused. He said he'd had to spend considerable time in calls to the claims handlers acting on Lloyds' behalf.

In May 2022 Lloyds upheld Mr M's complaint. It said it had quoted incorrect amounts to him and accepted this had been misleading and understandably caused frustration. For the inconvenience caused, Lloyds paid Mr M £250 compensation, which it later increased by £50 to £300.

Mr M accepted the cash settlement amount Lloyds said was correct. But he said he wanted to take his complaint to this service. Mr M didn't think the compensation Lloyds had paid reflected the distress and inconvenience caused. He wanted Lloyds to honour the original cash settlement it quoted of £34,110.30 (minus the excess of £200).

Our Investigator recommended the complaint should be upheld. She thought Lloyds had failed to explain its cash settlement and the reason for a 10% deduction from it before Mr M made the decision to accept it. She said Mr M would have made a different decision if he'd been made aware of the deduction before accepting the cash settlement and so he had been prejudiced by Lloyds' error. Mr M said he would have asked Lloyds' approved contractors to carry out the works.

The Investigator thought the compensation Lloyds had paid for the distress and inconvenience it had caused was reasonable. She recommended Lloyds pay the difference between the cash settlement it paid and the £34,110.30 with interest.

Both parties replied and disagreed. Mr M said he wants an additional £500 compensation. Lloyds didn't agree that Mr M wasn't aware of the deduction before he accepted the cash settlement. It said the incorrect settlement figure was quoted to Mr M on 19 April 2022. But he was advised on the same day that the final settlement would need approval. Lloyds said that in further calls over the following days Mr M was made aware of the correct cash settlement (which was part of his complaint) and didn't accept it until 19 May 2022 after discussing Lloyds' final response to his complaint. So Lloyds said at any time before Mr M accepted the cash settlement figure, he could have asked Lloyds to arrange repairs. Lloyds said Mr M didn't have to accept the cash settlement.

In response, the Investigator asked Lloyds to provide evidence to show the deduction it applied to the cash settlement was fair and reasonable.

Lloyds provide conflicting responses: it said it applied a discount as this was what the contractor would have done. However, the claims handling team said it applied a deduction because of assumptions it made about how much it would cost a customer to have the repairs done.

In light of the conflicting information - and that the reasons given for applying a deduction by the claims handling team were unfounded and unjustified - the Investigator maintained her view that Lloyds should pay Mr M the cash settlement sum as set out under the scope of works provided by its approved contractor.

Lloyds responded to say that the reasons given by the claims handling team had nothing to do with why it made a deduction from the cash settlement. It said the reason for the deduction was because this was the discount the contractor would have given Lloyds if it had been given the opportunity to carry out the works.

So the case has been passed 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.

Mr M's policy with Lloyds has a common term which sets out the options it has when settling claims. Lloyds says it will act as follows:

*"How your insurer will settle claims*

*Buildings, contents and personal possessions claims*

*Your insurer may repair, reinstate or replace your damaged property. If your insurer can't replace or repair your property they may pay for the loss or damage in cash or in a cash alternative (including vouchers and/or store cards).*

*Where your insurer can offer repair or replacement through a preferred supplier, but then agree to pay a cash or cash alternative settlement, then payment will not be more than the amount they would have paid their preferred supplier."*

Lloyds' gave Mr M a cash settlement figure on 19 April 2022 by phone of £34,110.30 (minus an excess of £200, so £33,910.30). I've looked at the schedule of works (SOW) provided by the Surveyor who inspected the damage to Mr M's property and this is the total net figure before VAT.

Lloyds says that this sum wasn't correct. It said it shouldn't have been shared with Mr M by Lloyds in the phone call as this was commercially sensitive - as is its discounts that it may apply.

While I appreciate that insurers can attract competitive rates with approved contractors, I think it's reasonable to be able to evidence that the settlement an insurer pays a customer is fair. In this case, Lloyds hasn't provided any evidence to support the deduction it took from the SOW provided by the Surveyor for the reinstatement works. The reasons provided by the claims handling team - appointed by Lloyds - contradicted the reason Lloyds gave us as to why it made the deduction. But this was information Lloyds gave us as evidence to support its decision.

So I don't think Lloyds has treated Mr M fairly. I don't think Lloyds has provided any reliable evidence to show that the deduction it made from the SOW provided by the Surveyor was reasonable. And so it follows that I think it should pay the difference to Mr M with interest - as I think it should have paid him a cash settlement of £33,910.30 after deducting the excess.

I think Mr M received some poor service and some delay from the claims handling team. Unfortunately having to make a claim will involve a degree of our own time and some inconvenience. I think that's inevitable. But for the distress and inconvenience caused by Lloyds, which was over and above what I'd consider reasonable, I think the compensation amount of £300 is fair and in line with awards we would give in similar circumstances. So I'm not asking Lloyds to increase this amount.

### **My final decision**

My final decision is that I uphold this complaint. I require Lloyds Bank General Insurance Limited to do the following:

- Pay the difference between the cash amount it paid Mr M and £33,910.30 as per the net total for the reinstatement works to settle Mr M's claim.
- Pay interest on the difference from the date of the claim to the date it pays Mr M at a rate of 8% simple interest a year.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 20 October 2022.

Geraldine Newbold  
**Ombudsman**