

The complaint

Mr A complained that QIC Europe Ltd (“QIC”) provided an unfair settlement under his home insurance policy.

What happened

Mr A reported to QIC a leak which originated from his neighbour’s property. Mr A made a claim and QIC appointed a surveyor to review the damage. A cash settlement of £3,275.32 less the policy excess was offered. Mr A was unhappy with the settlement as he thought he should be paid £46,000-£47,000 which was in line with two quotes he’d submitted from his own contractors. Mr A was also unhappy he had to pay the policy excess (which had been deducted from his settlement). A de-humidifier was used to dry the property and Mr A said QIC hadn’t fairly refunded the costs he’d incurred on electricity.

QIC said it offered a cash settlement in line with its policy – it reviewed the quotes. Some of the work was betterment to what was covered under the claim, so it wouldn’t cover these costs. QIC also considered the parts of the quote that fell within the scope of the damaged works covered by the claim. As the costs exceeded what QIC would’ve expected the costs to be for its own contractors to do the work, it capped the settlement at this level.

Our investigator decided not to uphold the complaint. He thought the settlement offer made by QIC covered the damage that’s claimable on the policy for the incident that wasn’t pre-existing. He said this is the same amount it would cost QIC if its own contractors were to complete the repairs. Mr A disagreed, so the complaint has been referred to an ombudsman.

My provisional decision

I issued a provisional decision on this on 31 August 2022. I said:

“There is a significant gap in the quotes Mr A submitted for having the repairs done to his property and the settlement value that QIC offered. When the claim was made by Mr A, a surveyor was sent out to assess the damage and to estimate what the cost of the repairs would be. It’s common for the insurer to appoint its own approved contractors to complete the works. But, I can see on the surveyor’s report, he said “due to the number of background issues on this claim (pre-existing damage to the kitchen base units, un-tanked cellar suspect damage to the ceramic floor tiles, etc) it would be very unwise to expect a contractor to carry out the works and we should enforce cash settlement”.

I can see QIC followed this advice, so it asked Mr A to submit quotes for the work by his own contractors. He submitted two quotes. I can see QIC responded to these quotes in detail, as the scope of the quotes was far broader than repairing the damage from the leak. QIC said it would only cover the damage that was caused by the leak. I think this is fair, as the claim was made for the leak and this is what the policy covered. Therefore, I think QIC has been reasonable in not settling items not covered in the claim.

I have considered the settlement QIC made for the damage that was in scope for the claim. I can see Mr A was unhappy that he had to pay the excess that was on the policy, which was

deducted from his settlement. This reduced his settlement by £500 and he didn't think it was fair. However, I have checked the policy, and it clearly sets out that Mr A is responsible for the "first amount of any claim". The excess payment was set by Mr A when he took out the policy, and this is stated as £500 in his policy schedule. So, I think QIC has been fair to deduct the excess payment from the settlement amount. This is a common approach across the insurance industry.

I have considered how QIC arrived at the settlement value it offered Mr A. It said it limited the liability at the cost it would have been had its own contractors done the work. However, I don't think this is reasonable in these circumstances. I haven't been able to find any specific term in the policy that limits QIC's liability in this way. I can also see in its policy that it states:

"If we cannot offer rebuilding work, repairs or replacements (as defined by us) through our preferred contractor, we will pay you: (a) fair and reasonable costs to have the work carried out by your chosen supplier".

It appears QIC has only paid "a cash settlement for the same amount it would have cost [QIC] to use [QIC's] preferred contractor". I don't think this is reasonable. QIC said it didn't want its contractor to do the works, therefore its obliged to pay "fair and reasonable costs to have the work carried out by [Mr A's] chosen supplier" as is set out in its policy. If QIC thinks the costs submitted by Mr A for his contractors are unreasonable, then QIC needs to demonstrate this fairly and provide a settlement in line with what is a reasonable cost for Mr A to secure his own reputable contractor to do the in scope work. Therefore, I intend to uphold this part of the complaint. I intend for QIC to reconsider the claim and settle it in line with the remaining terms and conditions (i.e. settle at "fair and reasonable costs to have the work carried out by [Mr A's] chosen supplier").

Mr A has without this additional settlement, so I intend that QIC should add 8% simple interest to the additional amount (from the date of the claim to the date the additional settlement is paid). The dispute on the settlement has delayed Mr A receiving the cash to address the repairs which will have left him living in difficult conditions for longer than necessary. Mr A said his kitchen was unusable and he has been relying on food donations and takeaways. Therefore, for the distress and inconvenience the delays have caused, I intend that QIC pay £300 in compensation.

I've considered Mr A's complaint on the reimbursement of the dehumidifying costs. However, I think QIC has calculated this fairly based upon the length of time the unit was used for and using a standard reimbursement rate. I think this is reasonable".

Responses to my provisional decision

QIC said it had arranged to view Mr A's property again and asked for me to delay the issue of the final decision until it had done this. QIC didn't comment on whether it accepted my provisional decision.

Mr A asked some questions to clarify what my provisional decision meant, and the investigator responded to these. Mr A didn't comment on whether he accepted my provisional 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.

I would expect QIC to re-visit the property as part of its role in re-considering the claim. Therefore, I think it's already started to implement the findings of my provisional decision. I

don't think it's appropriate to delay issuing my final decision. QIC will need to communicate directly with Mr A in taking forward the agreement and settlement of the claim. The revised offer will need to be aligned to what I've set out in my decision and will need to reflect the current cost of labour and materials.

However, given neither party has provided any new information, I see no reason to change my provisional decision.

My final decision

My final decision is I uphold this complaint, I require QIC Europe Ltd to:

- reconsider the claim and settle it in line with the remaining terms and conditions
- add 8% simple interest* to the additional amount (from the date of the claim to the date the additional settlement is paid)
- pay Mr A £300 compensation** – for distress and inconvenience.

*HM Revenue and Customs requires QIC Europe Ltd to take off tax from this interest. QIC must give a certificate showing how much tax it's taken off it if Mr A asks for one.

**QIC Europe Ltd must pay the compensation within 28 days of the date on which we tell it that Mr A accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 31 October 2022.

Pete Averill
Ombudsman