

## **The complaint**

Mr G complains that Liverpool Victoria Insurance Company Limited (LV) didn't offer to complete repairs following water damage to his home, and its cash settlement offer was less than the repairs cost.

## **What happened**

Mr G had buildings and contents insurance with LV. He suspected there was a leak from the waste pipe, so he claimed under his policy. LV accepted the claim.

After liaising with LV's loss adjuster, Mr G went ahead with the damage repairs using his own contractor. However, LV only offered to reimburse around half of what it cost Mr G to have the work done. He complained, but LV said the policy terms and conditions allowed it to settle the claim at what it would've cost its contractors to do the work if Mr G chose to use his own. But Mr G said he didn't choose to use his own contractor: he just wasn't offered the option of using LV's contractors. LV maintained its offer, so Mr G brought his complaint to this service.

Our investigator said LV had made an offer in line with the policy, so she didn't think LV had done anything wrong.

Mr G didn't agree. He said as long as it was done quickly he didn't care who did the work, and he repeated his claim that LV hadn't offered him any other options.

I issued a provisional decision in October 2022 explaining that I was intending to uphold Mr G's complaint. Here's what I said:

### ***provisional findings***

*The damage, and the extent of work needed to repair the damage, isn't in dispute. And LV accepted the claim. So, the issues I've considered, here, are:*

- *Whether LV gave Mr G the option to use its contractors for the work, or enough information that he ought to have realised that was an option, and*
- *Whether LV's offer to cash settle Mr G's claim at what it would've cost it to do the work was fair and reasonable in the circumstances.*

*The policy sets out what Mr G needed to do when he first notified LV of his claim, as follows:*

*Follow these simple steps:*

1. *Check you're covered by looking at this booklet and your personal details;*
2. *Call us as soon after the incident as possible – please have your policy details and information about the claim ready when you call;*
3. *Speak to us before you make any arrangements for replacement or repair;*

*Although I haven't received a copy of the call, the subsequent events suggest that Mr G followed the instructions.*

*At the point Mr G made his claim, I'd expect LV to explain to Mr G what the next steps would be. It appears to have done so because it arranged a site visit to assess the damage.*

*But it's from here that communication broke down.*

*Mr G said the loss adjuster who inspected the damage told him to get it fixed as soon as possible. Given that it was a leaking waste pipe limiting Mr G's use of his bathroom facilities, I think his account is entirely plausible, so I have no reason to doubt it. What isn't clear, though, is whether that meant he should get just the leak fixed or the overall damage.*

*Mr G's plumber was on site at the same time as the loss adjuster and I understand he went ahead and fixed the leak over the subsequent days after experiencing some difficulty. The repair to stop the leak isn't covered under the policy, so Mr G's decision to go ahead with that work isn't in question.*

*From here, evidence in the form of a text conversation shows that Mr G gave the loss adjuster a quote for the damage repairs and said work would start later that day. The loss adjuster said it was more than the insurer's rates and asked for a breakdown of costs. The loss adjuster didn't say anything about LV not covering the full cost if work did start, or that LV could do the repairs. I think this was a missed opportunity on LV's part to provide clarity.*

*Around five days later, Mr G provided an update to the loss adjuster to say that the leak repair had been more difficult than expected, so work on the damage repairs hadn't started. I haven't seen any further messages to say whether or not the loss adjuster responded.*

*So, based on the evidence up to this point, I'm satisfied that Mr G fulfilled his obligation to, "Speak to us before you make any arrangements for replacement or repair".*

*The policy sets out LV's commitment to Mr G as follows:*

*Our commitment to you*

*We'll always:*

- *give you clear and correct information;*
- *be fair and reasonable;*
- *act as quickly as we can.*

*I've already commented on one missed opportunity to provide clarity. A week later, LV called Mr G to apologise for the delay sending a scope of works, which wasn't available. LV said it told Mr G he may not receive a settlement for the full cost if he arranged the work himself. After a further week passed, Mr G called LV to ask for a cash settlement, but its scope of work was still not available. LV said it repeated its confirmation that Mr G's full costs might not be covered. It's worth noting that by this time, Mr G's contractor had already completed the repairs.*

*I asked for call recordings so I could hear whether LV told Mr G about using its own contractors, but LV wasn't able to provide them. So, I must base my decision on the evidence I have and what is more likely to have happened.*

*Turning to the policy, it says:*

*How will my buildings claim be settled?*

*If the loss or damage is covered by this insurance we'll agree with you to:*

- *arrange for repair or replacement using one of our suppliers; or*
- *pay the cost of repair; or*
- *make a cash payment.*

*We'll pay the full cost of any repair or replacement... costs we have agreed to pay.*

*Cash payments*

*If we can offer a repair or replacement through one of our suppliers and you choose not to have the item repaired or replaced or you wish to use your own supplier, we will not pay more than the amount we would have paid our supplier. If we're unable to offer repair or an equivalent replacement is not available, we'll pay the nearest cash equivalent...*

*LV confirmed in its final response letter to Mr G that it wouldn't have told him during its first call that he had the option of using its contractors.*

*While the policy, quoted above, does say LV won't pay more than it would cost it to complete the repairs if Mr G chose to use his own contractors, I haven't seen any evidence to show that LV offered to arrange a repair. There was contact between Mr G and LV before the repairs were completed, but before LV provided its scope of work, during which LV could've offered its contractors. Therefore, I think it was reasonable for Mr G to expect that LV would settle his claim by paying the cost of repair or as a cash settlement. And because there's no evidence LV offered a repair, I don't think it's fair to cash settle only at what it would've cost using its own suppliers.*

*In summary, then, I find Mr G's account of events more compelling than the limited evidence provided by LV. I haven't seen evidence to show that LV properly guided Mr G through the claim process. And, given that LV didn't provide a scope of work until a month after the loss adjuster's visit, it's understandable that Mr G went ahead and used his own contractor to fix, and repair damage caused by the waste-water leak.*

*I said I was minded to require Liverpool Victoria Insurance Company Limited to:*

- *reimburse Mr G the full cost of the repairs, and*
- *pay 8% simple interest\* on the cash settlement from the date Mr G paid the invoice to the date Liverpool Victoria Insurance Company Limited makes payment to him.*

*I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.*

*Mr G didn't have anything more to add. Although, after noting that I hadn't heard his first notification of loss (FNOL) call with LV, he offered to send a copy of the recording.*

*LV didn't agree with my provisional decision. It confirmed it didn't have any call recordings as evidence. However, LV said it was documented in its records and discussed with Mr G during the FNOL call that if he used his own contractor LV would need to agree costs.*

*Further to this, LV said Mr G went ahead with the work even though he knew it wouldn't cover his costs, so it would've been reasonable to expect him to explore other options. And although it couldn't provide evidence of offering its contractors, LV said its actions surely indicate that it was prepared to do the works, especially when it couldn't agree Mr G's costs.*

## **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've now listened to the FNOL call, which Mr G kindly provided. Despite what LV said, I didn't hear any evidence that LV told Mr G if he used his own contractor it would need to agree costs. Instead, I heard the following:

- LV told Mr G it would appoint a contractor to go through what needed repairing.
- Mr G mentioned he already had someone working on his kitchen who could quote.
- LV said Mr G could use his own contractor as long as he didn't go ahead until he'd seen LV's contractor.
- Mr G confirmed, his contractor shouldn't do anything until he'd seen LV's contractor.
- LV agreed that was correct.

At no point in this conversation were costs discussed, yet it would've been an appropriate time to do so. While LV says its actions indicate it was prepared to do the work, I can't agree. Mr G did what he should've done, which was to, "Speak to us before you make any arrangements for replacement or repair". LV should've made the situation clear to Mr G in line with its responsibility as set out in the policy, "We'll always: give you clear and correct information". I don't think it's done so, here.

I'm not disregarding LV's recorded evidence that it told Mr G his costs may not be covered if he used his own contractor. But LV hasn't provided evidence which persuades me it made that clear to Mr G before the repairs were completed. Nor has it provided anything to show that it offered to do the work.

So, my final decision is the same as my provisional decision and for the same reasons.

## **My final decision**

For the reasons I've explained above, and in my provisional decision, I uphold Mr G's complaint and Liverpool Victoria Insurance Company Limited must:

- reimburse Mr G the full cost of the repairs, and
- pay 8% simple interest\* on the cash settlement from the date Mr G paid the invoice to the date Liverpool Victoria Insurance Company Limited makes payment to him.

\*If Liverpool Victoria Insurance Company Limited considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr G how much it's taken off. It should also give Mr G a certificate showing this if he asks for one, so he can reclaim the tax from HMRC if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 8 November 2022.

Debra Vaughan  
**Ombudsman**