

The complaint

Mr V is unhappy with U K Insurance Limited (“UKI”)’s handling of an escape of water claim made under his home insurance policy.

All references to UKI include its appointed agents.

What happened

Both parties have provided me with a detailed timeline of events. And the facts of this complaint are well known to both parties. So, I’m not going to repeat them all here. Instead, I’ll provide a summary of events and focus on the reasons for my decision.

I’d like to reassure Mr V that if I haven’t mentioned something it isn’t because I’ve ignored it. I haven’t. I’m satisfied I don’t need to comment on every fact and argument made to be able to reach what I think is a fair and reasonable outcome.

Mr V is a vulnerable consumer who had recently been discharged from an extended stay in hospital. Around February 2021, Mr V made an escape of water claim under his home insurance policy with UKI.

After some time, Mr V raised a complaint about the way his claim had been handled and the delays he said UKI had caused. Amongst other things, Mr V said in summary:

- UKI’s validation of his claim caused undue distress as he’d been in hospital for over 60 days.
- He was unhappy with UKI’s attempts to source alternative accommodation (“AA”) and so had to live with a friend whilst he was out of home.
- There were delays in the initial strip out works and drying of the property.
- The handling of his contents going into storage was poor.
- The drying company failed to attend the property on certain dates.
- There was a skip with waste which remained on the driveway.
- The overall lack of communication from UKI and its agents since the start of the claim had been poor.

To put things right, Mr V wanted UKI to resolve all outstanding matters on the claim, settle the claim, and update its working practices to prevent similar problems for other vulnerable consumers.

UKI agreed there were occasions where its service and communication could’ve been better. It agreed there had been delays with the strip out works which in turn delayed the drying of the property. UKI also agreed the removal of Mr V’s contents could’ve been handled better, the skip should’ve been removed, and that the drying company should’ve attended the property more frequently. So UKI offered Mr V £250 compensation for the distress and inconvenience caused.

Later in the claim, Mr V raised further concerns over the progression of the claim, agreeing the scope of works (including a previously unidentified area of damp) and UKI's offer to cash settle the claim. UKI responded to Mr V, agreed there'd been further avoidable delays and offered £350 compensation for the distress and inconvenience caused – making a total of £600 compensation.

Mr V didn't agree, and his complaints were considered by our service.

Our investigator looked at everything and didn't recommend the complaint be upheld. They highlighted areas of the claim where UKI should've provided better service. But they concluded that UKI's offer of compensation was fair and reasonable in the circumstances. So, they didn't recommend it needed to do anything further.

Mr V disagreed and asked for an ombudsman's decision. In summary he said:

- The investigator's findings were incomplete and inaccurate.
- The amount of compensation offered is too low. He wants UKI to pay substantially more for both his AA costs, and in compensation.

The complaint was passed to me and on 14 October 2022 I set out my provisional findings. I've repeated an extract below:

"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, I think UKI needs to pay Mr V more compensation for the distress and inconvenience caused to him. But not to the substantial level he's requested in his submission to our service. I'll explain why below.

I've considered Mr V's comments carefully about why he feels further compensation and AA payments are due. And whilst his submission goes into some detail about the events which occurred, I can only consider compensation for avoidable delays, and distress or inconvenience which were as a result of UKI's actions, and which impacted Mr V directly. I have no power to consider the impact or costs to Mr V's friends or family, or anyone who isn't a named policyholder.

In a similar vein, I can only consider requiring UKI to pay further AA monies if it's shown that Mr V was unfairly or unreasonably prevented from receiving them as an entitlement under the policy benefit.

I've set my conclusions out under the relevant headings below.

Delays

Based on everything I've seen during the claim between February 2021 and December 2021, it's clear there have been avoidable delays by UKI in dealing with this claim. For the most part this can be attributed to; a delay in stripping out the property as the claim hadn't been validated; a delay in arranging the necessary site visit to complete the scope of repairs; and a delay in arranging and presenting the cash settlement to Mr V.

This should've been better monitored by UKI, given that Mr V explicitly mentioned he was a vulnerable consumer around April 2021, and I can see UKI made a record of this on its file. And it's arguable that Mr V's circumstances prior to this, from the first notification of loss call, should've put UKI on notice that he was a vulnerable consumer. I say this because UKI was made aware that Mr V had recently spent an extended period in hospital, lived alone, and relied on the assistance of family and friends.

*The Financial Conduct Authority ("FCA")'s guidance for businesses on the fair treatment of vulnerable consumer states, "Firms should take additional care to ensure they meet the needs of consumers at the greatest risk of harm...firms should also act **early** to prevent risk of harm emerging or growing" (my emphasis in bold).*

The guidance also states, "firms should be asking themselves what types of harm or disadvantage their customers may be vulnerable to, and how their own actions can increase or reduce the risk of harm."

I've thought about how this applies in the circumstances of Mr V's complaint. Mr V has explained that he made UKI aware of his extended hospital stay at the first notification of loss and of his vulnerability due to health issues, but UKI chose to refer the matter to its underwriters before confirming cover.

The drying company was ready to begin work four days later but was prevented from doing so as the claim hadn't been accepted. It took a further five days for UKI to accept the claim, with drying equipment installed eight days after that. And it's probable that this initial delay in installing the drying equipment added to the overall length of the claim.

I find UKI's initial handling of the claim insensitive in the circumstances. Mr V was out of home and didn't know when he'd have the comfort of his own home to convalesce after his hospital stay. And I'm not persuaded that there was any realistic prospect of the claim being turned down. But the possibility of it being turned down would've caused Mr V a heightened sense of distress given his vulnerable situation.

Overall, I'm not persuaded UKI has given sufficient consideration to Mr V's circumstances in its offer of compensation. So, I find that an additional payment of £400 compensation would fairly reflect the heightened distress and upset caused to Mr V.

AA payments

The evidence I've seen suggests Mr V was planning to convalesce with a friend for a couple of weeks following his hospital stay. UKI says Mr V was living with his friend before the claim and so didn't need AA immediately. UKI says it did offer Mr V five to six properties which weren't taken up. So, Mr V continued to stay at his friend's property.

In the circumstances, UKI agreed a disturbance allowance to reflect that Mr V would be staying with his friend for longer than anticipated.

I acknowledge Mr V has said he incurred additional costs by travelling back to his property regularly to commence the drying. But I've not seen any firm evidence of any additional costs incurred by Mr V above what UKI has already paid. And as I mentioned, I can only consider costs that were incurred by Mr V directly, not from friends or family.

*Mr V's policy covers him for up to £25,000 worth of AA costs and states, "Alternative accommodation where appropriate will be reflective of the individuals needs. Each claim will be reviewed taking into account the duration, location, and occupancy and will continue for the shortest amount of time necessary to restore **your home** to a habitable condition."*

I've reviewed the costs that UKI paid to Mr V. Having done so, I think UKI acted fairly in offering a payment to support Mr V staying with a friend. I can see it also increased the payment from £800 to £1,000 per month following Mr V's enquiries. I find this reasonable and in line with the terms set out above.

Cash settlement

Mr V says he accepted the cash settlement under duress and he's unhappy with how UKI presented it.

UKI says Mr V requested a cash settlement in lieu of using its own contractors to do the repairs. And the evidence I've seen supports this.

Mr V's policy sets out how UKI can choose to settle the claim in this scenario. It states:

*"If the **buildings** are damaged by any of the causes..., **we** will either:*

- repair or rebuild the damaged part using **our** suppliers*
- pay to repair or rebuild the damaged part using **your** suppliers*
- make a cash payment*

*If **we** can repair or rebuild the damage part, but **we** agree to use **your** suppliers or make a cash payment, **we** will only pay **you** what it would have cost **us** using **our** suppliers and therefore the amount **you** receive may be lower than the cost charged by **your** suppliers."*

I think this term is clear and sets the expectation that there may be a shortfall in the costs should a customer choose a cash settlement over UKI's contractors. And further, the evidence shows UKI reinforced this to Mr V on a call; saying that the cash settlement reflected what it would cost it to do the repairs.

I've considered the cash settlement amount. UKI's shown that it has used the higher of the two quotations it received for the work, and that it includes VAT and a contingency fund for any variation in the scope of works. And I can see it's also factored in additional AA costs whilst the repairs are done. I find this a reasonable approach for it to take.

I've not seen any evidence of insured works which haven't been scoped for. Instead, the main source of the shortfall seems more likely linked to Mr V's private contractor labour costs, which UKI wouldn't be liable for. So overall, I find UKI has fairly calculated the repair costs here, in line with its right to do so under the policy terms."

Therefore, I said I intended to uphold Mr V's complaint and direct UKI to pay him a total of £1,000 compensation.

Developments

UKI accepted my provisional findings and said it would pay the compensation upon receipt of Mr V's acceptance of my decision.

Mr V disagreed with my findings. In summary he said:

- My decision wasn't detailed enough, inaccurate and omitted a number of facts.
- He was unhappy UKI didn't support his claim from day one and is still seeking contact from its Compliance Officer on the matter.
- UKI didn't take into account his specific needs when offering AA. And he questioned how a vulnerable policyholder was supposed to deal with drying their property when they are not allowed to drive.
- The 10% variance UKI applied to the cash settlement should have been 100%.
- UKI's tactics in making the settlement amounted to bullying.
- The compensation awarded is insufficient.

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, I haven't seen anything on review which leads me to a different conclusion than I reached in my provisional decision. I'll explain why below.

I'm sorry that Mr V feels my decision isn't detailed enough, or fairly reflects the circumstances of his complaint. But my role isn't to list all the facts as they happened, particularly when the majority aren't in dispute as is the case here.

Rather, my role is to consider the complaint and determine a fair and reasonable outcome in the circumstances. And having reconsidered everything, I'm satisfied that I've done so.

I'm not going to comment on other avenues Mr V pursues outside of this complaint (such as any dialogue with UKI's Compliance Officer). I consider it outside the remit of this complaint.

In any event, I've previously concluded that UKI could've acted better at the start of the claim, taking into account Mr V's vulnerability. UKI agrees. Our role isn't to regulate or punish businesses for their conduct, instead it's to resolve individual complaints by placing the consumer, as far as possible, in the position they should have been in if the problem hadn't occurred.

I've considered Mr V's comments regarding AA. I don't think this changes my original conclusions on what *actually happened* – namely that Mr V continued to convalesce with a friend, and UKI made a reasonable payment toward this in line with the policy terms. I'm satisfied that this payment took into account the fact that Mr V was staying with his friend for longer than originally anticipated. I find this reasonable in the circumstances.

I understand Mr V says he was unable to drive at the time his property was being dried. But had the claim progressed as it should've from the start, this would've still been an issue – given his recent hospitalisation. And it's likely Mr V would've still had to rely on family or friends for support in getting around during in the early stages of the claim. So, I cannot reasonably conclude this was an additional impact as a result of UKI's actions.

Regarding Mr V's comments on the cash settlement, I've already concluded UKI presented this fairly and I've not seen anything further to change my mind. And whilst Mr V has said the variance in the cash settlement should be greater, the evidence I've seen doesn't support this statement. A contingency fund is just that, and it wouldn't be fair to require an insurer to settle a claim for a higher amount than set out in the policy terms. So, I cannot reasonably require UKI to do anything further here.

I've considered Mr V's comments about why he feels further compensation is due. But I haven't seen anything which wasn't available to me when I decided the award in my provisional decision.

I'll also acknowledge that whilst it is clear Mr V has spent considerable time preparing his submissions to UKI and our service, we generally don't award compensation for the time spent in dealing with or handling of a complaint.

Therefore, I am satisfied the award proposed in my provisional decision fairly reflects the delays directly attributed to UKI, and the impact to Mr V.

So, having carefully reconsidered everything, I've reached the same conclusions I reached in my provisional decision, for the same reasons.

My final decision

My final decision is that I uphold this complaint about U K Insurance Limited and direct it to pay Mr V a total of £1,000 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 28 November 2022.

Dan Prevett
Ombudsman