

The complaint

Mr and Mrs W complain about how National House-Building Council (“NHBC”) handled and settled their claim on their building warranty.

What happened

In 2010 Mr and Mrs W bought a new property in a building that came with a ten-year warranty provided by NHBC.

In 2014 they noticed water ingress into the property following a spell of bad weather. They made a claim on the warranty which NHBC accepted. Over the years that followed NHBC attempted numerous repairs. However after time the repairs failed and the property suffered further ingress.

In 2020 NHBC installed a tin hat as a temporary measure to protect the building from further ingress while repairs were completed. However Mr and Mrs W decided to move out of the house into a vacant property belonging to their family due to the noise from the tin hat and the inconvenience of the ongoing claim.

Towards the end of 2021 Mr and Mrs W made a complaint to NHBC about the amount of time the claim had taken to resolve, as it had been many years and the repairs were still outstanding. It responded and accepted there had been unnecessary delays. It apologised and offered £1,750 compensation.

However the repairs were still not completed and in March 2022 NHBC offered to cash settle the claim and offered a settlement amount of around £65,000. Mr and Mrs W didn't accept this as they said no break down of the cost had been offered and they considered it to be insufficient for the required repairs. Further, they'd rather NHBC appointed contractors to do the work rather than cash settling.

They raised this with NHBC but it didn't change the offer. However it said that should Mr and Mrs W provide a quote for the work that was above this then it would reconsider the settlement amount.

Unhappy with this, Mr and Mrs W brought their complaint to this service.

Our investigator considered the issues but didn't recommend the complaint be upheld. She said that NHBC is entitled to cash settle if it chooses to and she's not seen anything to show that the settlement offered was unfair. She also thought the compensation offered was in line with what she would have recommended if NHBC hadn't made an offer, so she didn't think it should do anything more.

Mr and Mrs W didn't agree with our investigator's outcome. They said as NHBC hadn't provided a scope of works they were having to obtain one themselves before they could get a quote. And they thought this should be provided before the complaint is decided on. They also maintained that NHBC's decision to cash settle the claim was unfair and that it should carry out the work itself instead. They asked for their case to be reviewed by an

ombudsman.

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.

Compensation

Having reviewed the timeline and correspondence provided in relation to this claim, I can see it has gone on for far longer than I'd expect for a claim of this nature. And I can see a lot of the reasons for these delays could have been avoided. NHBC has carried out repairs that have later failed and required further work on a number of occasions. And this has added a significant amount of additional time onto the claim.

Further, it has caused Mr and Mrs W some significant distress and inconvenience. As it means they've had to live with a house suffering from ongoing water ingress and have had to continue to chase and correspond with NHBC for much longer than they should have done. This has led to them making the decision to move to a different property, which I understand. And I agree it would be distressing for them to be out of their home for such a long period of time. So I agree NHBC has caused delays that have resulted in significant distress and inconvenience.

It's offered Mr and Mrs W £1,750 compensation to apologise for these delays and this is in line with this service's approach to similar complaints and what I would have asked it to pay if it hadn't already made an offer. So while I agree NHBC has provided very poor service throughout the claim and caused significant delays, I think it's offer of compensation is a fair one. So I won't ask it to do anything further in this regard.

Cash settlement

Mr and Mrs W are dissatisfied that NHBC have offered a cash settlement rather than agreeing to carry out the work itself. Under the policy NHBC is entitled to settle the claim in any way it sees fit. And considering the amount of time this claim has been ongoing for and the problems that have been experienced to date, I understand why it thinks a cash settlement may be a better option to now resolve the issues.

However where it is the insurer's decision to enforce a cash settlement, this service would expect it to settle at the amount it will cost its customer to get the work done, rather than at its own rates that are often heavily discounted. It has said that if Mr and Mrs W obtain a quote for the work then it will reconsider its offer based on how much the work will cost them. And I think this is a fair offer and in line with this service's approach.

Mr and Mrs W have also said that they don't consider the amount offered to be sufficient for the work that is required to repair their property. While I appreciate their concerns, they haven't provided any evidence to show why the cost is incorrect or how much the true cost is. Whereas NHBC's quote is provided by its contractor who is an expert in building repairs. So based on this, I've not seen enough evidence to say that the settlement is insufficient. Further, as I've said, NHBC has offered to revise the settlement should Mr and Mrs W provide a quote. So this means if they find that they are unable to get the repair work done for the amount offered, NHBC will reconsider their offer. Which means Mr and Mrs W shouldn't be out of pocket even if the repair works do cost more than the initial settlement. I therefore think what NHBC has offered is fair and reasonable.

Mr and Mrs W have also complained that NHBC hasn't provided a full scope of works for the

repairs and have instructed their own contractor to do this. I note their request that this decision is not issued before this is obtained. I have considered their request but I don't think the scope would have any impact on the outcome of this complaint. As the complaint I am considering is whether NHBC has acted fairly in how its settled the claim. And as NHBC has already said it will consider revising its settlement if it is provided with a quote from a contractor, having a scope of works from Mr and Mrs W won't change my opinion that this is a fair offer. I therefore suggest that if Mr and Mrs W still consider the settlement to be insufficient when they receive the scope, that they obtain a quote and provide it to NHBC when they are able to.

My final decision

For the reasons I've given, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 9 February 2023.

Sophie Goodyear
Ombudsman