

The complaint

Mr H complains about Liverpool Victoria Insurance Company Limited's handling of a claim made under his home insurance policy.

What happened

Mr H has a home insurance policy underwritten by Liverpool Victoria (LV) which covers his property and its contents. He made a claim in early July 2021 after water from the sewers flooded back into his utility room. The flooding occurred at the end of July 2021.

The background to this complaint is well known to both parties, so I'll provide only a brief summary here.

In short, Mr H thought LV's loss adjuster acted unprofessionally in assessing his claim. And he thought the claim was unnecessarily delayed and characterised by poor communication and customer service.

Mr H also said LV had failed to remove contaminated material from his property as quickly as they should have. And this may have caused his elderly and infirm mother, who also lived at the property, to become infected.

He was also unhappy that LV chose not to pursue the local water company for recovery of their losses due to the insured events. He believes a collapsed main sewer in the road outside his property was responsible for the flooding in his utility room.

Mr H complained to LV about these issues. They admitted their agents had failed to communicate effectively with Mr H at times. And they said on one occasion a message from Mr H to the loss adjuster handling the claim wasn't passed on in a timely manner.

They said the material Mr H had asked them to remove wasn't in fact contaminated by the sewer water, but they ought to have removed it sooner anyway after Mr H asked them to do so.

They initially offered Mr H £300 in compensation for the trouble and upset he'd experienced as result of these failings. And they apologised if any confusion or frustration had arisen because of the way the loss adjuster conducted the initial interview with Mr H.

LV later offered a further £100 in compensation after Mr H questioned their first offer. They admitted they should have told Mr H sooner that the material he thought was contaminated wasn't in fact affected by the water back-flooding into his utility room.

Mr H wasn't happy with this outcome and brought his complaint to us. He thought the compensation offered by LV was inadequate given the trouble and upset he'd been caused and given his particular circumstances.

Our investigator looked into it and thought LV should increase the compensation to £800 given all the circumstances.

Mr H disagreed and asked for a final decision from an ombudsman. He thinks £800 is still insufficient to compensate him for the trouble and upset he experienced.

LV also disagreed with the outcome proposed by our investigator. They felt the £400 they'd already offered was fair and reasonable in all the circumstances.

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.

LV have admitted that communication with Mr H was poor at times. And that he didn't receive the level of customer service they would have hoped to provide.

They've also accepted that Mr H felt upset by the initial interview with the loss adjuster. Although they are right to say that Mr H objected to being asked certain questions which they (and we) would expect a loss adjuster might ask in circumstances like these.

So, there's no dispute that there was poor customer service and poor communication, which at times led to some relatively minor delays. For example, Mr H asked for the material he thought was contaminated (insulation from the walls of the utility room) to be removed in early September 2021. He ended up removing it himself towards the end of September when LV hadn't done so by then.

I'm satisfied the failure to remove that insulation wasn't connected with the health problems Mr H's mother suffered at the time. The experts appointed by LV say the material wasn't affected by the flood water.

I'm also satisfied that LV's decision not to pursue the water company for recovery of their costs wasn't unfair or unreasonable. They have an expert report which concludes that there were issues with Mr H's own drains and sewers which caused the flooding.

Mr H didn't complain to LV about this, but in response to our investigator's view he said he was unhappy his policy premiums have increased after the insured events in July 2021. I assume he believes this may in part be because LV chose not to recover their costs from the water company.

As I say, there's nothing unfair or unreasonable about LV's decision not to pursue the water company. And it isn't surprising – or in any way unfair or unreasonable – that the two insured events and claims in July 2021 have led to an increase in Mr H's premiums.

So, this decision turns on whether the £400 in compensation offered by LV for the poor customer service, poor communication and delays was sufficient.

I agree with our investigator that it wasn't sufficient. And I agree with him that it should be increased to £800. I'll explain why.

LV and their agents (the loss adjuster) knew about Mr H's circumstances. They knew that he was living with an elderly and infirm relative. And they knew – or should have known – that Mr H would therefore be very concerned about contaminated sewer water entering his property. That concern and upset would no doubt have increased after the second insured event which caused the property to flood again.

I don't think LV did enough, in those circumstances, to ensure that there were no delays at all in handling the claim and getting things sorted. And they didn't do enough to ensure there

were no hitches in the communication with Mr H. For example, they admit they failed to advise Mr H – in good time - that the insulation material was not contaminated.

They also failed to remove that material in a timely manner, seemingly because they were happy to wait for a contractor to sort it out, knowing that the contractor wouldn't begin work at the property for some weeks.

The net effect being that Mr H spent more than three weeks believing he had contaminated material on his property that might affect his - and more importantly, his elderly relative's - health.

Putting things right

That's why I'm going to require LV to increase the compensation to be paid to Mr H. LV didn't cause the water to flood Mr H's utility room (twice) and that was always going to be stressful for him.

But I'm satisfied that £800 (rather than £400) in compensation more accurately reflects the degree of additional stress and worry – over longer periods – that Mr H suffered due to LV's failure to communicate quickly and effectively with him.

I should stress that my reasons for increasing the amount of compensation to be paid in this case have nothing to do with the fact that LV didn't put Mr H and his relative into alternative accommodation.

It's fairly clear that wasn't the right solution in this case. And I mention it only because LV's response to our investigator's view seems to suggest they believe the proposed increase in compensation was in some way connected to the potential cost of alternative accommodation.

Our investigator did mention in his view on the case that LV had considered alternative accommodation at the outset of the claim. But he did so not to suggest they ought to have placed Mr H and his relative in alternative accommodation, but only to demonstrate that they were aware from the outset of Mr H's living arrangements and the vulnerability of his relative.

Mr H wants me to increase the compensation to significantly more than the £800 suggested by our investigator, but I'm not going to do that.

The delays in the handling of this claim are relatively minor and specific to particular circumstances (for example, the removal of the insulation material). In fact, overall, it took LV around two months from the second flood – which rather complicated things in terms of how and when they should carry out the repairs – to provide Mr H with a cash offer to settle the claim.

That's not a long time in relation to claims such as these. In that time, LV assessed the buildings and contents elements of the claims, got reports from a drying specialist, then appointed contractors and scoped out the repairs required.

As I've already said, I don't think there's anything unfair or unreasonable about LV's decision not to pursue the water company for costs. And I don't think it's unfair or unreasonable that the two insured events and claims would have an effect on Mr H's future policy premiums.

So, LV were responsible for minor delays in some aspects of the handling of the claim and their communications with Mr H could have been better and quicker. Those failings were exacerbated by Mr H's circumstances – which LV were aware of at the outset. But, as I say,

LV didn't cause the flooding in Mr H's utility room.

In that context, I'd refer Mr H to our website, which outlines our approach to compensation for trouble and upset. We set out there what level of compensation we're likely to award in different sets of circumstances.

We say awards of £300-£750 are usually appropriate where a customer has experienced considerable distress, upset and worry and/or significant inconvenience or disruption, typically over many weeks or months.

Awards above £750 and up to around £1,500 are appropriate where the customer has experienced *substantial* distress, upset and worry and/or *serious* disruption to daily life, usually over *many months* and sometimes for more than a year.

I'm satisfied on balance that Mr H's particular circumstances just about put this case in the second category (£750-£1,500). But I'm mindful that the period of time during which Mr H suffered substantial distress as a direct result of LV's errors (rather than the insured events themselves) was relatively short. And that's why the award I'm going to make is at the bottom end of that compensation bracket.

My final decision

For the reasons set out above, I uphold Mr H's complaint in part.

Liverpool Victoria Insurance Company Limited must pay Mr H £800 in total in compensation for the trouble and upset he experienced as a result of their errors.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 3 January 2023.

Neil Marshall
Ombudsman