

The complaint

Mr C has complained that Tesco Underwriting Limited has declined to meet the full cost of his repairs following a claim for damage resulting from an escape of water. The claim was made under his buildings insurance policy.

What happened

Mr C held a buildings insurance policy with Tesco.

On 23 October 2020 Mr C notified Tesco of a claim for escape of water. There had been leaks in the kitchen, hall and bathroom that had been identified the day before, and these had caused damage to the property.

Mr C says the call handler he initially spoke to implied that his claim would be accepted. He says he asked if he should pay for the repairs himself and claim it back and the call handler didn't say no, but now Tesco won't pay him for the repair bill he has incurred.

Tesco appointed a surveyor who visited the property. They said that in addition to the damage caused by the leaks there were major building works ongoing at the property which Tesco had not been advised of. They recommended that the claim was put on hold while this was investigated.

Following the investigation, the surveyor raised concerns that some of the work Mr C was claiming couldn't be linked to the damage caused by the escape of water, but instead was related to the ongoing building work.

Through his representative, Mr C provided a schedule of repairs amounting to £27000. Tesco asked for a copy of the building schedule for the renovations, A copy of the building control application, drawings, and dates of lodgement. None of these documents were provided by Mr C.

Eventually in May 2021, the underwriter agreed to cover the claim, but endorsements were applied to the policy because of the work that was being carried out. They also agreed to pay £3180.10 for repair and reinstatement of some of the items claimed for, but refused Mr C's full claim, stating that some of the items being claimed for were part of the ongoing renovations.

Mr C complained and Tesco issued a final response in June 2021 which said that as Mr C hadn't provided the documents requested, they were unable to offer any further settlement, and the offer of £3180.10 stood.

Mr C was unhappy with this response and brought his complaint to us.

One of our investigators has looked into Mr C's complaint and thought Tesco had acted fairly.

Mr C disagreed with our investigators view, and so the case came to me to review.

I issued a provisional decision on the complaint and my provisional findings were as follows:

I have decided to uphold Mr C's complaint, and I will explain why below.

In this case I have to decide whether Tesco have acted within the terms of the policy, and fairly and reasonably in their decision regarding the settlement offered.

Should Mr C have commenced repair work

I have listened to the call with Tesco when Mr C first contacted them to make the claim. During that call, Mr C explains that he has already had work done to repair the source of the leaks. The call handler does say that Mr C should have contacted Tesco first but accepted that Mr C had gone ahead with the leak repair in order to deal with the problem and mitigate additional loss. But, I'm satisfied that at this point, the call handler doesn't suggest, or tell, Mr C that he should go ahead and get all of the repair work to the water damaged items done. So, whilst I understand Mr C has said he through this was what he was told, I'm satisfied that was not the case.

Generally, before repair works are carried out, and insurer will want to review the damage caused but the escape of water. That way, the insurer is able to understand the level of work needed to deal with the water damage., as well as how much it would cost to get this done. So, I don't think it was unreasonable for Tesco, at that point in the claim, to wait before undertaking the repairs.

However, there was then a considerable delay by Tesco while they investigated to see whether the claim could be accepted. Mr C had made his claim in November, so by the time that the decision was made and notified to Mr C on 18 February 2021 it had been 4 months with the property in disrepair. Mr C made the decision to go ahead and complete the repairs and his ongoing renovations in the light of this timeframe.

I've thought about whether this was a reasonable thing for Mr C to do at that point. And I think it was. Mr C was mid renovation when the leak was identified, and he had builders on site. It wouldn't have been practical to suspend work while he waited for a decision on the claim. This was likely to have increased his renovation costs and delayed making the house habitable for his young children.

In addition, I can't see any reason why Tesco took so long to decide there was a valid claim. An insurer is obliged to handle a claim promptly and fairly. And from the information I've seen, Tesco had all the information it needed to make a decision, including the surveyors report by the end of November, and so it could have made a decision quicker.

Remedial works

After agreeing there was a valid claim, Tesco then looked at what repair and restoration work was covered under the policy. As the parties don't agree on this, I have had to consider whether Tesco have made a fair decision in relation to what parts of the claim are to be paid, and the sums allowed. There is a lack of good contemporaneous evidence from both Mr C and Tesco on the level of damage, and the costs for the insured damage, so I've needed to decide what I consider to be fair conclusions from the evidence available.

I have looked at all the documentation provided by Mr C and by Tesco, including the report of the first surveyor, the report from the damage restoration specialist, the invoices provided by Mr C and Mr C's testimony of what happened.

The original surveyors visit was on 28 October 2020, and his report was completed on 2 November 2020. This notes there was work being carried out to the property – including building work to create two new bedrooms upstairs, and refurbishment to the kitchen. It was whilst doing the work that the contractor identified evidence of damp in the kitchen, and a plumber was called out. The plumber identified three leaks in the central heating pipes that were embedded in the screed floor. These were located in the kitchen, the hallway, and the bathroom.

To access them, the plumber removed three sections of the screed flooring and completed repairs to the sections of pipe.

The surveyor's findings are that there is repair and restoration work necessary in the kitchen, bathroom, hallway, master bedroom and en-suite. No other rooms are identified as being affected by the leaks. This is confirmed by the report from the damage restoration specialist which found high moisture readings in all of those rooms. So, as these reports are the only professional contemporaneous evidence of the damage caused by the escape of water, I am satisfied that these are the rooms that should be included in the claim.

By the time that Tesco accepted there was a valid claim in February, Mr C had completed the repair works and his renovations. He submitted a costed schedule of works to Tesco, which included work done in rooms that weren't identified on the surveyors report as affected by the escape of water. So, I don't consider that work should form part of the claim. There isn't any firm evidence they were damaged due to an escape of water.

So, I've gone on to consider whether Tesco has offered a fair and reasonable settlement for the areas noted at water damaged by the surveyor.

Tesco considered Mr C's costed schedule, providing it to their surveyor for his opinion. The surveyor has made pencil annotations on the schedule, striking out costs for some items altogether and reducing the cost of most of the other items claimed for. Tesco have told me that these reductions are based on the surveyors "local knowledge" of the market and costs. But they haven't provided me with any documents to support this, and so I am not minded to accept these reductions. I say this because in order to say Tesco's offer was fair based on these annotations, I'd need firm evidence showing the costs written down were a more accurate reflection of what the cost of the work and materials would have been. Tesco hasn't provided anything to show it could have sourced the materials and labour for the costs annotated. So I don't think this is persuasive in showing the settlement costs calculated by Tesco here are fair and reasonable.

I have asked Mr C for receipts and invoices for the work, and he has provided me with some. But again, these aren't completely clear as to what costs are for which rooms. And because it's not clear exactly what those costs relate to, in what rooms, I can't be sure these costs are reflective of just the insured work – and not some of the renovations too.

So, I have listed below the rooms for which I consider repair costs are allowable and I've detailed those costings which seem to me are related to the damage caused by the escape of water.

Kitchen and Hallway

The surveyors report from these areas make it clear that the kitchen and hallway were being renovated. Mr C told the surveyor for that reason there was no claim to the kitchen itself to be made. The new kitchen itself had not been damaged by the escape of water. And I'm also aware the materials in the hallway were being replaced too. Given there wasn't a loss in this

respect, I don't find it unreasonable for Tesco not to include work to the kitchen and hallway itself, other than that listed below.

I can see the report from the damage restoration specialist notes high moisture readings in the kitchen and utility floor. So drying out and rescreeding was needed. And I'm aware it was agreed drying out and rescreeding the hallway was needed too.

So, I'm satisfied it was reasonable for Tesco's offer to include dehumidifier and rescreeding costs in this respect. As above, Tesco hasn't provided me with sufficient evidence to show the cost for this part of the work – it has simply detailed in pencil a different price to that which Mr C has specified.

But Mr C has provided us with an invoice for the dehumidifiers that he had to hire, which is 4 dehumidifiers at £65 each per week. The hire was for 4 weeks at a total of £1248. As this is evidenced costs, from a contractor, and there is no dispute that dehumidifiers were necessary, because of the floor in the kitchen and hallway as well as other areas, I think it's reasonable and fair to accept these costs. Especially as the delay caused by Tesco in accepting the claim meant that Mr C had to ask his own contractors, who were already on site, to carry on with the work.

It's also clear the rescreeding was needed, and the costs would be £285. As this cost was agreed in the surveyors report, and is in line with Mr C's claimed figures, I'm satisfied Tesco should pay these costs too.

The total for these costs is £1,533

Bathroom and en-suite

Although Mr C indicated to the surveyor that he was going to patch repair the floor tiles in the bathroom, the surveyor reported that he was satisfied that there was corrective work required in the bathroom as a result of damage caused by the escape of water. He notes that the required works included removal of ceramic floor and wall tiles and sanitary ware, drying of the screed, repair of the screed, refitting of the floor tiles and sanitary ware and redecoration.

The surveyor was also satisfied that following high moisture readings, as long as the damage restoration specialist confirms there is no shower leak, the en-suite would require similar corrective work of stripping out of floor and wall tiles, drying out and reinstatement due to damage caused by the escape of water.

When the damage restoration specialist attended in November, Mr C had already stripped out the bathroom ready to be dried and refitted, including the removal of all floor and wall tiles and sanitary ware. The damage restoration specialist's report records that due to the escape of water there are high moisture levels in the floor and all bathroom and en-suite walls.

As the above was accepted as necessary work in the surveyor's original report, I am satisfied that the settlement should include costs for this work in relation to the bathroom and en-suite.

Tesco's offer in respect of the bathroom and en-suite work is based on the pencil annotations provided by the surveyor. I don't agree that these provide sufficient evidence of the costs involved in repairing the insured works, and I'm more persuaded by Mr C's evidence which is in part costed on the schedule, and for which he has provided some receipts in respect of tiles and tiling.

The costings provided on the schedule for the bathroom and en-suite include stripping out and reinstatement costs of £580.42, and receipts show the supply of replacement tiles costing £1,279.25. The receipts for the tiling labour and additional materials – grout etc - includes costs for work done in the bathroom, en-suite and hallway. I have already said that the hallway shouldn't be included in this claim, but as the receipts aren't itemised I consider a fair settlement would be allow two thirds of those costs, which would be £1,543.94. The total for these costs is therefore £3,403.61

Bedroom

The surveyor was satisfied that there was damage in this room which would require removal and replacement of skirting, architrave and laminate flooring, He also stated that it required removal and replacement of the fitted units and subsequent redecoration.

Mr C provided costings in the schedule for this work, and has again provided some evidence of the costs paid to the joiner for the fitting of the joinery and wardrobes, so these costings are more persuasive than the pencil annotations.

The costs on the schedule for the stripping out, making good and redecoration come to £1648.68. In addition, Mr C provided evidence of hat he paid to the joiner for replacement and fitting of the fitted wardrobes, replacement joinery in the bedroom and some joinery in the en-suite, costing £3,117. As this is evidence of an actual payment, for work that the surveyor agreed was necessary, I am persuaded that this should be paid.

The total for these costs is therefore £4,765.68

Additional costs

The surveyor also said that there should also be an allowance for drying costs, and related plaster work, debris removal, cleaning, protection and trace and access.

Skip hire

Two skips are listed on Mr C's schedule of work for the disposal of removed material. However, the schedule includes work in areas that were not indicated by the surveyor to be affected by the escape of water so I am minded to only allow payment for one skip. Mr C has provided evidence of skip hire at a cost of £348 per skip, and so I'm satisfied that this is the cost that should be allowed.

Investigative work

This cost for identifying the source of the escape of water is billed at £350, and I'm satisfied that this cost is eligible under the trace and access cover in the policy.

Alternative accommodation

The surveyor's report does state that it is likely that some period of alternative accommodation is likely to be needed because of the removal and drying of the bathroom and en-suite. Mr C has submitted an invoice for £2,400 for three months rental but this has not been accepted by Tesco as they were unable to verify the alternative address on the invoice. I have been able to establish that the road name was misspelt on the invoice, and the rental agent has now provided an amended invoice with the correct spelling of the road. I am therefore satisfied that alternative accommodation was both necessary and paid for, but as the escape of water didn't occur until 23 October, and the bathroom tiling invoices show it

was completed by 15 December, I'm only satisfied that alternative accommodation was necessary from the beginning of November after the surveyor advised that Mr N would need to move out for the works to be completed, until the middle of December, and so I will think Tesco's should pay the cost of the alternative accommodation for that period, amounting to £1,200.

I asked both parties for their comments.

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.

Mr C has accepted my provisional decision but Tesco have made no further comments.

Mr C has asked me to consider compensation for distress and inconvenience due to the length of time this has taken, and also because it has caused problems with his relationship with his mother. I've considered this, but I won't be making any award for distress and inconvenience, as I'm satisfied that awarding the interest sufficiently compensates for the delay.

And so, in light of the above, I'm making my final decision in line with my provisional findings

Putting things right

To put things right, Tesco should:

Pay settlement of the above detailed items, totalling £11,600.29, minus any sum already paid to Mr C as settlement.

Pay 8% statutory interest on the sum above from the date of any original settlement payment or offer of settlement if no payment has been made, to the date of final settlement.

My final decision

My final decision is that I am upholding Mr C's complaint about Tesco Underwriting Limited, and directing them to put things right as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 12 January 2023.

Joanne Ward
Ombudsman