

## **The complaint**

Mr A and Mrs S have complained about the way in which ERGO Versicherung Aktiengesellschaft (“ERGO”) dealt with a claim on their property insurance policy after their home was extensively damaged by fire - and about ERGO refusing to renew the policy while repair work was ongoing.

## **What happened**

In summer 2020, Mr A’s and Mrs S’s neighbour was working in their loft. While he was doing this, an electrical fault ignited a fire which spread from their property to Mr A’s and Mrs S’s home. Both properties suffered extensive damage as a result of the fire and from the water used to extinguish it.

Mr A and Mrs S appointed their own loss assessor and submitted a claim to ERGO for the costs of rebuilding and for contents that had been damaged or destroyed. And they claimed for the cost of alternative accommodation while they couldn’t live at home.

The rebuilding work was put out to tender before a contractor was employed. Mr A and Mrs S took the opportunity to ask for remodelling work, over and above reinstatement of their property, to be included – which they paid for themselves.

About two months after the fire, Mr A’s and Mrs S’s policy became due for renewal. But they were told by their broker that, because of the ongoing claim, ERGO wouldn’t renew the policy. They made enquiries but couldn’t find alternative cover. They spoke to their loss assessor, who contacted ERGO’s loss adjuster to see what could be done.

As a result, their broker offered them three months’ cover, which they told Mr A and Mrs S could be extended for three months at a time for as long as needed. But, when they tried to extend the cover, their brokers told Mr A and Mrs S that no further extensions could be offered. So their property was uninsured.

By this time, building work had started. Mr A and Mrs S were told the contractors had cover for their work onsite. But Mr A and Mrs S were concerned there was no cover for hazards such as fire. So they complained to ERGO.

In response, ERGO explained that they hadn’t decided not to extend cover. But the agreement they had with the agents who’d underwritten the cover had ended. So it had been impossible for them to extend it any further.

A short time after ERGO’s response, Mr A and Mrs S made a number of additional complaints about the way the claim had been handled. They complained about the level of the settlement of their contents claim, delays in processing payments, that ERGO didn’t include all costs Mr A and Mrs S felt were part of their claim and that further damage was caused by the contractors’ scaffolding, which ERGO didn’t cover.

ERGO replied and explained that all claims are validated before they are settled. And this was done at each stage of the claim in line with the scope of works and policy terms. But they accepted there had been some small delays in the process, including reimbursing costs

Mr A and Mrs S had paid. They offered Mr A and Mrs S £350 compensation for these. Mr A and Mrs S didn't accept and asked our service to look into their complaints.

Our investigator did so, and concluded ERGO needed to more to resolve them. She was satisfied that ERGO had extended the policy when they could, and that they'd not done so again because they couldn't – rather than choosing not to. And she said ERGO's decisions relating to the settlement of the contents claim, losses not covered and scaffolding damage were reasonable.

But the investigator felt that the sum offered for delays wasn't enough to compensate Mr A and Mrs S. She said £500 (including the £350 ERGO had previously offered) was a fairer reflection of the impact the delays had had on them.

Mr A and Mrs S didn't agree with our investigator's view. So I've been asked to make a decision.

### **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 that, I'm upholding Mr A's and Mrs S's complaint. But I'm not asking ERGO to do any more to resolve it than our investigator said they should. I know they'll be disappointed by my decision. I'll explain why I've made it.

Mr A and Mrs S sent the investigator a large number of documents in response to her view which they say support the assertions they've made about five complaints. I've studied these documents. They refer to many issues throughout the claim. But they don't suggest the five elements identified by the investigator are wrong. So that's what I've based my decision on.

### Renewal of the policy

I've thought first about what Mr A and Mrs S have said about not being able to get alternative cover. I understand this would have been worrying for them, particularly in circumstances where they were pursuing a significant claim as a result of a risk against which people usually insure.

My starting point is that there's no obligation on an insurer to provide cover. But it is the case that an ongoing claim makes it more difficult for someone to find cover. So I think it was reasonable to expect a certain level of cover would be provided.

But I'm satisfied ERGO provided that cover for as long as they could. ERGO have explained that their agreements with their underwriters ended – so it wasn't possible for them to provide cover for any longer. It's unreasonable for me to say they should have entered new underwriting agreements to provide cover. So I can't say they should have done any more.

And, while I acknowledge it was a worry, Mr A and Mrs S didn't have cause to make a claim during this period. So I can't say they were disadvantaged by having no insurance in place.

### Claim handling

In terms of their handling of the claim, ERGO had a duty to deal with that promptly, fairly and in line with the policy terms. That means they don't have to cover every eventuality – only those covered by the policy. And they're entitled to verify the claims made before settling them.

### Settlement of contents claim

Mr A and Mrs S have complained that their contents claim was settled for less than they thought it should be. At the time they claimed, the sum insured for contents was £54,236. An excess of £100 applied. So the maximum settlement they could have received was £54,136. ERGO settled the contents claim for £48,305.17 (net of the excess).

ERGO have said that Mr A's and Mrs S's claim exceeded the sum insured. ERGO valued the contents at around £22,000-£23,000.

Two claims conditions contained in the policy are relevant here. They say:

- "6. You must provide us with evidence of value or age (or both) for all items involved in a claim. It is your responsibility to prove any loss therefore we recommend that you keep receipts, valuations, photographs, instruction booklets and guarantee cards to help with your claim.*
- 9. To help prove your claim we will require you to provide original purchase receipts, invoices, bank or credit card statements, instruction booklets, photographs, utility bills, pre-purchase surveys or plans and deeds of your property."*

I think these make clear that it's for the policyholder to provide evidence that items have been lost and how much those items are worth, and that they won't just pay the sum insured. ERGO have said they only received invoices for replacing contents of about £10,000.

I appreciate it would have been difficult to supply evidence, given the circumstances of the claim. So I think it was fair for ERGO to have paid more than that. But they've shown that Mr A and Mrs S received payments totalling £30,290, as well as £4,145 for carpets, and restoration of two expensive items which were salvaged, at a total of £4,200.

This is well in excess of ERGO's valuation of the claim. The evidence Mr A and Mrs S have supplied hasn't shown me this was clearly deficient. So I'm satisfied ERGO's handling of this part of the claim was fair.

### Delays

As I've mentioned above, insurers have a duty to deal with claims promptly. But that doesn't mean they're necessarily responsible for all the delays that occur during a claim – or that they have to settle some or all of it without reasonable verification.

This was a complex matter with many different parties involved. And I have to take into account that the project didn't just involve reinstating the house to its former state, because Mr A and Mrs S took the opportunity to make modifications.

They were entitled to do that. But it did increase the overall amount of work which was required. And, from the documents they've sent me, I can see some of the pressure for funds was due to Mr A and Mrs S needing to pay for these additional works. I can't say ERGO should be responsible for that.

But I have noted that ERGO accept there were some delays in the claim. And I agree with our investigator that Mr A and Mrs S should be compensated for those. I'll address that in the "Putting things right" section below.

### Costs not included in the claim

Mr A and Mrs S also complained they'd received no payment for additional travel and laundry costs they'd incurred as a result of having to move into their last alternative accommodation (a caravan).

I've thought carefully about this. I understand the logic behind Mr A and Mrs S believing they could claim for this. But – as our investigator explained – the policy doesn't cover every eventuality. It covers loss or damage directly caused by the fire. And it provides for the cost of alternative accommodation while Mr A's and Mrs S's home was uninhabitable. I don't think these costs fall within either of these categories. So I don't think it's fair for me to say ERGO should reimburse them.

### Scaffolding damage

Mr A and Mrs S wanted to include a claim for damage caused by the erection of scaffolding to their decking and damage to slabs. ERGO have said that this was caused by contractors appointed by Mr A's and Mrs S's loss assessor. And that the decking had been in a poor condition before the fire.

I can only say ERGO are responsible for the work of their contractors. In this case, the contractors who caused the damage were appointed by Mr A's and Mrs S's agents. So I can't say ERGO were responsible for their work – or lack of care.

I'm pleased to see that ERGO contributed £2,000 towards rectifying these issues. But I can't say they should do any more.

### **Putting things right**

As I'm satisfied there were delays in dealing with payments in the claim, I've thought about whether the £350 ERGO offered in respect of these was reasonable to compensate Mr A and Mrs S for the impact those delays had on them.

I've explained that ERGO were entitled to verify payment requests before they were made. So it's inevitable that they won't be made immediately they're requested – particularly as, in this case, each request was relayed through several parties. And I can't say ERGO should compensate Mr A and Mrs S for not being able to make payments they'd committed to in expectation of a settlement payment being received.

But I do think they were impacted by delays in authorising payments for alternative accommodation when they had to vacate their first alternative. That would be worrying for anyone – and it's clear from what I've seen that Mr A and Mrs S were very worried about the prospect of having nowhere to live – so resorted to borrowing money from relatives that should have been available under the alternative accommodation sections of their policy.

ERGO haven't made clear exactly what delays they offered £350 compensation for. But I think they should compensate Mr A and Mrs S for this. I agree with our investigator that £500 is a fair amount for what has happened. And it's consistent with the guidance published on our website that an award at this level, which says it reflects:

*“...considerable distress, upset and worry – and/or significant inconvenience and disruption that needs a lot of extra effort to sort out. Typically, the impact lasts over many weeks or months....”*

### **My final decision**

For the reasons I've explained, I'm upholding Mr A's and Mrs S's complaint about ERGO Versicherung Aktiengesellschaft and directing ERGO to pay them £500 compensation

(inclusive of the £350 previously offered) for the distress and inconvenience they've been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Mrs S to accept or reject my decision before 25 January 2023.

Helen Stacey  
**Ombudsman**