

## **The complaint**

Mrs L complains about QIC Europe Ltd's cash settlement offer in response to a claim made under her home insurance policy.

## **What happened**

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

Mrs L has home insurance underwritten by QIC which covers her home and its contents. In February 2022, Mrs L made a claim after a storm caused damage to her conservatory roof.

QIC sent loss adjusters to examine the damage. They then accepted the claim and asked contractors to quote for the work to repair the roof.

QIC's contractors quoted a price of around £13,000 to carry out the work. However, they later told QIC it would be pointless to repair the roof without first repairing the frame of the conservatory, which they said had deteriorated with age.

Because their contractors weren't willing to carry out the repairs to the roof, QIC offered Mrs L a cash settlement. The offer was at the same value as the price initially quoted by their contractors.

Mrs L sought her own quotes for the work. The cheapest of which was priced at £16,200 (including VAT).

Mrs L complained to QIC. She thinks it's unfair for them not to pay her the full cost – to her – of getting the roof fixed.

QIC responded to say they weren't going to change their stance. Their view was that they were only obliged to pay what it would have cost them to have the repairs carried out.

Mrs L wasn't happy with this and brought her complaint to us. Our investigator looked into it and thought QIC hadn't been fair or reasonable in their handling of the claim. She thought QIC should cash settle the claim at the cost to Mrs L of getting the roof fixed – and pay her £250 in compensation for her trouble and upset.

QIC disagreed and asked for a final decision from 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.

There's no dispute in this case that the damage was caused by the storm – and that it's therefore covered under the terms of the policy. QIC accepted the claim and accepted that they should pay for the repairs.

There's no dispute either that the terms of the policy allow QIC to determine how the claim should be settled. They can carry out the repairs through their own contractors or they can cash settle the claim and leave it to Mrs K to sort out the repairs.

We take a very clear view on how cash settlements should be worked out. I'll explain what that view is and the reasons for it.

The purpose of an insurance policy is to indemnify the policyholder. Broadly, that means they should be put back in the position they were in prior to the insured event and the damage or loss it caused – or as close to that position as is practically possible.

If an insurer can do that – return the policyholder to the position they were in – by commissioning repairs or replacement themselves, but the policyholder insists on using a more expensive option, then it wouldn't be fair to ask the insurer to carry any costs over and above what they would have paid out themselves.

In essence, that's the policyholder's decision. And if they want to take a different route to the perfectly acceptable one suggested by the insurer, they (the customer) should pick up the additional costs.

On the other hand, if the insurer decides for their own reasons to cash settle the claim, then they can't reasonably pay the policyholder only what the repairs or replacement would have cost them (the insurer) *if* the policyholder can't get the repairs or replacement at the same cost.

In that case, the insurer isn't properly indemnifying the policyholder, who wouldn't be able to put themselves back in the same position they were in before the insured event occurred, at least not without incurring additional costs.

In other words, it's not reasonable to ask an insurer to pay a policyholder's costs if the insurer is willing and able to rectify the damage or loss themselves more cheaply.

In this case, Mrs L has found a number of contractors willing and able to replace her conservatory roof – at a minimum cost of £16,200 (including VAT).

QIC say they could get the work carried out for less – just short of £13,000. So, that's what they're willing to pay Mrs L.

However, they aren't willing – their choice, albeit on the advice of their preferred contractor – to back that up by actually having the work completed at that price.

If they were willing to do that, there would be no argument here. Mrs L would have to either agree to QIC's contractor carrying out the work or pick up any additional costs (for her preferred contractor) herself.

However, that's not the case here. QIC aren't willing to commission the work, so Mrs L is left with no option but to accept the best quote from elsewhere. And, unless QIC cover that cost, she has not been fully and properly indemnified by the policy.

So, to put it as simply as I can, QIC have decided not to carry out the repairs. The cost quoted by their contractor is therefore not in play. And so, they must pay Mrs L what it would (reasonably) cost her to get the work done.

It's no surprise that Mrs L can't find anyone to carry out the work at the price originally quoted by QIC's preferred contractor. Insurers can often obtain prices for building work that

wouldn't be available to members of the public. There's no suggestion here that Mrs L has unreasonably found the most expensive contractors in her area to quote for the work, for example.

I understand why QIC have taken the stance they have on this matter. Their contractor has said repairing the roof alone would be irresponsible, given their assessment of the state of the conservatory's framework.

First of all, that doesn't seem to be a universal opinion. The contractors Mrs L found appear to be willing to repair the roof. Their quotes certainly don't include any repairs to the framework – which QIC might reasonably have said fall outside the scope of the settlement given that any issues with the framework appear to have been caused by wear and tear rather than the storm.

Furthermore, Mrs L may be intending to repair the framework at her own expense before the work on the roof is carried out. But that's a matter for her given that the damage to the framework isn't covered under the policy.

And at no point have QIC offered to carry out the roof repairs (at the cost to them) if and when Mrs L has the framework repaired or strengthened.

In summary, QIC have not treated Mrs L fairly by offering only the notional cost to them of the repairs to her conservatory roof in cash settlement of the claim when they had no intention of carrying out those repairs themselves through their own contractor.

### **Putting things right**

In order to put things right for Mrs L, QIC need to ensure that she is properly indemnified against the damage caused to her conservatory roof by the storm. That means paying her the amount she will have to pay to get the repairs carried out.

On the face of it, that means they should pay her £16,200 – the lowest quote Mrs K could obtain.

That assumes the quote still stands. If it has now gone up in price due to inflation or the increasing cost of materials, QIC will need to cover the new costs (as long as they are from the same builder). It is, in essence, QIC's fault that Mrs L didn't take up the quote when it was first offered.

There is one caveat to that. It's perfectly fair and reasonable for an insurer, when offering a cash settlement, to pay the VAT element of any estimate only when the customer provides proof that the work has been completed – usually in the form of an invoice or receipt which specifies the work done.

I have no doubt that Mrs L fully intends to get the work done as soon as possible, but as I say, QIC don't need to cover the VAT unless and until they have proof of the work's completion by the contractor.

Our investigator said QIC should also pay compensation of £250 to Mrs K for her trouble and upset. I agree with that. It will always take time to resolve a claim – particularly where there is a dispute between the parties – but Mrs L has been without a useable conservatory now for the best part of a year.

If QIC had settled this claim in the way I'm satisfied they should have, the repairs would have been carried out some considerable time ago. In that time, Mrs L has had no use of her conservatory and has had water leaking into it through the roof. She's also had the stress and worry of not knowing whether - and when – her claim would be properly settled.

### **My final decision**

For the reasons set out above, I uphold Mrs L's complaint.

QIC Europe Ltd must:

- on receipt of an updated estimate from Mrs L's preferred contractor, pay a cash settlement to Mrs L equal to the total quoted cost less any VAT element;
- on receipt of an invoice or other proof to show the repairs are completed, pay Mrs L the VAT element of the invoice; and
- pay Mrs L £250 in compensation for her trouble and upset.

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

Neil Marshall  
**Ombudsman**