

The complaint

Mr D complains about the amount of the settlement offered to him by Royal & Sun Alliance Insurance Limited (RSA) in respect of his claim for storm damage to his outbuilding. The claim was mostly dealt with by a claims validation service and as RSA is responsible for that service, I shall refer to RSA throughout.

What happened

On or about 19 February 2022 Mr D made a claim to RSA following his barn being severely damaged in a recent, named, storm.

RSA asked for a quotation for the cost of repair and on receipt of that as the repairs were more substantial than anticipated, it appointed a specialist to review the damage. That specialist provided a report and said that the barn had been in a poor state of repair. It made the decision to offer a settlement with a deduction for wear and tear. The deduction proposed to and accepted by Mr D was of one third of the overall cost, so RSA would pay two thirds of the cost of repair.

A settlement was reached between RSA and Mr D for the cost of damaged contents.

In light of the existing damage to the barn, RSA was not prepared to offer the services of its preferred suppliers. RSA assessed the cash settlement, based, it says, on market rates and not the rate its own suppliers would charge. Mr D, while accepting the one third deduction said that he couldn't get the barn repaired for anything like the total cost proposed by RSA. The specialist's report noted that the barn was reached by an access road which would have to be repaired/upgraded to take the vehicles needed. Mr D has confirmed to us that this has been done, but it can only take smaller vehicles which would involve more trips to deliver materials etc thereby increasing the total cost of the work.

On referral to the Financial Ombudsman Service, our Investigator said initially that RSA should factor in those costs caused by the access road. RSA said Mr D was obliged to maintain the access road in good condition and it wasn't prepared to pay for those additional costs.

Following a further review, our Investigator also said that RSA should pay a cash settlement based on the cost to Mr D i.e. two thirds of the amount of his lowest quote. Or it should appoint its own contractors to do the work, with Mr D paying one third of such cost.

RSA didn't agree. It reiterated that it would not appoint its own contractors to carry out the work. It pointed out the following:

- The settlement was based on market rates.
- It initially decided to deduct two thirds of the cost for wear and tear, but offered the one third deduction in error. It decided to stand by its offer. Mr D has therefore had the benefit of its mistake, over and above his entitlement under the policy.

- The reason for the extra costs in using the access is because at its site visit it was full of deep potholes which could cause damage to motor vehicles. If it had been maintained in a reasonable condition, the extra costs claimed would not have been mentioned.

The matter has been passed to me for further consideration.

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.

As both parties have accepted a storm occurred and caused damage to the barn roof, I won't go into that point any further. I will just consider the settlement offered and whether that is fair and reasonable.

First of all, and I think RSA has accepted this, as it has offered a cash settlement and not offered the services of its "preferred suppliers", then our approach is that any cash settlement can't be based on the rates it would have paid its preferred suppliers. RSA says it has based its settlement on "market rates". But it's clear that Mr D hasn't been able to find any contractor to do the job at those rates. Nor has RSA advised him of any such contractor.

In respect of a claim the policy says:

How we settle claims

"We will pay the cost of work carried out in repairing or replacing the damaged parts of the buildings..."

If the buildings have not been maintained in a good state of repair or if at the time of any loss or damage the sum insured is less than the full rebuilding cost we will pay the cost of repair or replacement less a deduction for wear and tear."

So the policy allows for a deduction for wear and tear, but it doesn't say RSA can pay whatever it assesses the cost to be. It's fair to accept that Mr D can't get the building repaired for the cost RSA has assessed so it's fair and reasonable that it pay the cost to him of the repairs, being his lowest quote for such repairs, less the one third deduction for wear and tear.

A two thirds deduction was briefly mentioned in the claim notes, but there is no indication this was a mistake – the actual deduction was one third and RSA appeared to be satisfied this was a fair offer. Mr D has accepted that offer and it wouldn't be fair to backtrack on that now.

As for the access road, Mr D has reiterated to our Investigator that any holes in the track have been repaired and vegetation removed. I think Mr D is genuine, he doesn't want to claim any more than he is entitled to.

So I think RSA should pay two thirds of Mr D's lowest quote for repairing his barn, including where appropriate any additional cost of accessing the barn, but not costs of repairing the access road.

Putting things right

RSA should pay, by way of a cash settlement, two thirds of Mr D's lowest quote for repairing his barn/outbuilding. This should include, where appropriate and subject to Mr D providing

documentary evidence of, any additional costs due to accessing the said outbuilding, but not costs of repairing the access road.

My final decision

I uphold the complaint and require Royal & Sun Alliance Insurance Limited to provide the remedy set out under “Putting things right” above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr D to accept or reject my decision before 27 April 2023.

Ray Lawley
Ombudsman