

The complaint

Mrs P complains about how Ocaso SA, Compania de Seguros y Reaseguros (“Ocaso”) and its agents handled and settled her claim on her home insurance following a fire.

Throughout the claim and complaint Mrs P has been represented by a third party. However for ease of reading all references to Mrs P include the actions of her representative.

What happened

Mrs P had residential property insurance for a property she owned and rented out to tenants. In May 2021 there was a fire at the property and she made a claim.

When Ocaso accepted the claim it noted that the property was underinsured, as it said the rebuild cost exceeded the sum insured. However it said it wouldn’t apply the average clause in the policy to reduce the settlement, but would instead pay the full limit.

In the months that followed Ocaso’s contractors commenced repairs on the property. However the total repair cost exceeded the sum insured, so Ocaso said it would only cover the cost of repairs up to the policy limit and Mrs P would have to pay for any additional costs.

Mrs P was unhappy with this as she said Ocaso’s contractors had unnecessarily inflated costs and had caused delays. Further she was unhappy with how Ocaso’s agents had managed the claim and the quality of their work. And she said Ocaso had failed to cover her loss of rent claim for the time she was unable to have tenants because of the fire damage. She made a complaint.

Ocaso responded and didn’t uphold it, so she asked this service to investigate.

Our investigator considered the issues but didn’t recommend the complaint be upheld. He thought Ocaso had done all it could to control costs but the price increases weren’t within its control. And he thought it had acted fairly by only paying up to the policy limit.

Mrs P wasn’t happy with our investigator’s outcome and asked for her complaint to be reviewed by 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.

Mrs P has provided a large amount of information in relation to her complaint. As this is an informal service, I’ve not responded to each point individually. Instead I have focussed on those I consider most relevant. However I want to reassure Mrs P that I have considered everything she has said when reaching my decision.

Costs and handling

The sum insured on a policy is the amount an insurer is required to pay up to when covering a claim. It is therefore the total amount the policyholder is entitled to claim for under that policy. Mrs P's policy has a limit for buildings of £100,000, therefore the policy only covers her for up to this amount for a buildings claim. So in order to meet its liability under the policy, Ocaso is only required to pay up to this limit.

I appreciate Mrs P has complained about the increase in costs and that she feels charges from contractors could have been less. However it isn't uncommon for the cost of repairs to change throughout a claim, based on evolving work that needs to be completed. And as she is only entitled to the limit of the policy, it wouldn't be fair or reasonable for me to ask Ocaso to exceed this just because the claim cost more than originally projected.

Mrs P has said she believes Ocaso and its contractors inflated costs by producing an over complicated scope of works and not selecting the lowest priced tender. Ocaso instructed an expert in building work to put together a detailed scope of work as there were substantial repairs that needed to be completed. This isn't unusual and I don't consider it unreasonable. I've also seen nothing to show that the level of detail had an impact on the overall cost of the work. Further, I can see that Ocaso did attempt to reduce the cost of the works at Mrs P's request, so I can't see that it could have done anything more in this regard.

I can see Mrs P has questioned various costs that Ocaso's contractors included in their scopes and some of the work that was completed, such as moving asbestos from areas of the property where repair work wasn't taking place. While I appreciate her interest in the cost of the claim due to the sum insured, I don't think Ocaso has acted unreasonably. It instructed experts to inspect the damage and report on what work was required based on their expertise. While Mrs P has questioned many aspects of the scoped and completed repair work, she hasn't provided any expert evidence to show that the work was inflated or unnecessary. And as Ocaso's scopes were based on expert reports, I'm more persuaded by their conclusions. I therefore haven't seen enough to persuade me that repair work was inflated beyond what was needed.

Mrs P has said that she thinks the claim has been poorly managed by Ocaso's contractors from the start. And this has delayed repairs which has caused costs to increase further. While I can see there were times when work had to be revisited, when issues were raised Ocaso dealt with them promptly. And for substantial repair work, it isn't unusual that some items won't be carried out as originally planned or additional work is required as the claim progresses. Overall, the claim took around the amount of time I would expect for repairs of this nature, so I've not seen enough evidence to persuade me that Ocaso caused significant delays. So I don't agree that Ocaso has caused the cost of the overall work to increase. I therefore think it's fair and reasonable that it has paid for repairs up to the policy limit.

Loss of rent

Mrs P has said that Ocaso hasn't paid enough to make up for the rental income she lost due to the house being uninhabitable because of the fire. I've looked at the payments Ocaso has made towards loss of rent and I think these are reasonable. It has covered the time that the property has been uninhabitable due to the fire and repairs and this is what it is required to do under the policy.

I note Mrs P has said that it should also pay the full rent for the month of May 2021, rather than just the last seven days that it has paid. However I can see that she's confirmed the tenants did pay rent for the first part of May, but she used this to cover the cost of uninsured damage from the fire and other damage the tenants had caused to the property. Therefore while the rental income was used to cover other costs, these aren't costs that would be covered by the insurance policy. So it wouldn't be fair to ask Ocaso to cover these costs, as

these would always have needed to be paid by Mrs P, whether she used the rental income to cover them or not. And as the rent was paid by the tenant, it is fair that Ocaso has declined Mrs P's request that the full rental income for May is included in her loss of rent claim. Due to this, I'm satisfied Ocaso has met its obligation under the policy in regards to loss of rent. So I won't ask it to do anything further.

My final decision

For the reasons I've given, I don't uphold Mrs P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 6 March 2023.

Sophie Goodyear
Ombudsman