

The complaint

Mr and Mrs S are unhappy with the way Fairmead Insurance Limited dealt with a subsidence claim they made under their home insurance policy.

Mr S has primarily dealt with the claim and complaint. So for simplicity, I'll refer to him only. Reference to Fairmead includes its agents and representatives.

What happened

The circumstances of this complaint aren't in dispute, so I'll summarise the main points:

- Mr S got in touch with Fairmead in 2018 about damage to his extension.
- Fairmead accepted the damage had been caused by subsidence and was covered by the policy. It thought the problem had been caused by nearby trees. But, concerned about the risk of heave if it removed the trees, it opted for ground improvement work to stabilise the extension.
- Fairmead asked Mr S to pay an excess and it recorded a subsidence claim. Mr S didn't think this was fair. He said the problem was a continuation of an earlier claim that had been dealt with by another insurer, A. He didn't think he should pay a second excess or that a second claim should be recorded. Because two claims had been recorded, he thought he was paying unnecessarily high premiums, it was harder to find insurance with other companies, and it would be harder to sell his home in the future.
- Mr S also raised concerns about how Fairmead had dealt with the recent claim. He said it had carried out the ground improvement work, followed by building repairs, in late 2019. But by early 2020, some cracking had reappeared. Fairmead agreed there had been a problem with the ground improvement work, carried out more, and by 2021 the building repairs were complete again.
- Fairmead said there was insufficient evidence to show A had dealt with the earlier claim inadequately, so it was obliged to deal with and record a new claim. It directed Mr S to his broker, S, in relation to the premiums. It didn't comment on the way it had handled the claim.
- Our investigator thought the complaint should be upheld. She said this claim was a continuation of the earlier one, so it would be unfair for a second claim to be recorded. She also said Fairmead should pay £500 compensation for the distress and inconvenience caused by the failed stabilisation work.
- Mr S accepted our investigator's view. Fairmead didn't. It reiterated that it couldn't refer the matter back to A and so it had to record and deal with a new claim. It initially accepted compensation was due for the way the stabilisation work had been handled, although it thought £500 was too much. It then said it didn't think compensation was due at all.

My provisional decision

I recently issued a provisional decision in which I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr S has made a separate complaint to A – and S, the broker. In this decision, I'll only be able to consider how Fairmead has acted. So that's what I'll focus on.

Claim handling

Our investigator asked Fairmead to pay £500 compensation for the distress and inconvenience it caused following problems with the ground improvement work.

Fairmead's position on this is unclear. It wasn't addressed when it responded to Mr S' complaint. And it seemed to think our investigator was holding it responsible for the way A handled the earlier damage. When she explained it was solely for the way Fairmead had dealt with the ground improvement work, Fairmead accepted it should pay compensation. But it didn't agree to pay £500, didn't suggest another figure, and then later declined to offer any compensation at all. I'm disappointed to see this is how Fairmead dealt with things.

I've looked at the timeline of events. Fairmead and Mr S seem to agree on what happened, so I won't go into a lot of detail. In summary, the ground improvement and building work were completed in late 2019. Within a few months, Mr S noticed cracking returning. After some investigation, Fairmead accepted the ground improvement work wasn't carried out as it should have been. It carried out further work. And, after a period of time to check the cracking didn't return again, the building work was completed again.

As a result of the problem with the ground improvement work, Mr S had to suffer the distress and inconvenience of seeing the damage return, facilitating another round of work, and living with the damage whilst waiting to see if the building had been stabilised. In these circumstances, I'm satisfied compensation is due. And I think the £500 suggested by our investigator is reasonable and proportionate.

Claim recording

Our investigator said Fairmead had acted fairly by dealing with the claim when Mr S got in touch with it in 2018. But because she thought the problem was a continuation of that dealt with by A, it wouldn't be fair for a second claim to be recorded about it.

I agree Fairmead acted fairly by dealing with the claim. Mr S was its policyholder, and he reported a problem that was covered by the policy. So it was the right thing for it to deal with that problem for him. What's in dispute is whether it would be fair for Mr S to have a second subsidence claim recorded and taken into account at future renewals.

In the separate complaint against A, I found it didn't carry out an effective and lasting repair when it handled the claim initially. And the latter damage should be treated as a continuation of the initial damage.

Had one insurer recorded two claims when there was effectively one, I would have asked it to remove the second and recalculate the premiums without it – and refund any difference.

However, two different insurers have dealt with two different episodes of damage. A would always have logged the claim initially, so the question is whether Fairmead should remove the claim it recorded.

Given Fairmead dealt with the damage, made payments and is obliged to keep relevant information about that, I think it would be impractical to ask Fairmead to remove that claim from its records. However, I can ask it to disregard the claim when calculating premiums and other policy terms from the 2023 renewal onwards. That will ensure Mr S is treated fairly at future renewals and isn't disadvantaged as a result of having a second subsidence claim on his record, despite there being effectively one.

I know Mr S is concerned that a second claim will make it harder to find insurance with other companies. And that it may make it harder for him to sell the property in the future. As I don't think Fairmead acted unfairly by recording the second claim, I don't think any potential consequences of the second claim can be held against it.

But it may help to explain that once an insurer has dealt with a subsidence claim, industry best practice is for it to continue offering renewals, on reasonable terms, to the consumer. That ensures the consumer can continue to access subsidence cover, on reasonable terms. I would expect Fairmead to bear this in mind at future renewals.

That leaves the premiums at the intervening renewals – 2019, 2020, 2021, and 2022 – and the excess to think about. I've considered those points in the separate complaint against A, so I won't consider them again here.

Responses to my provisional decision

Mr S said he accepted my provisional decision. He noted the award I proposed would require Fairmead to act reasonably in the future – including remembering to disregard the 2018 subsidence claim at future renewals.

Fairmead said it accepted my provisional decision. It noted that it delegates underwriting to another company, so in practice that company will take the steps to handle future renewals as I'd set out.

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.

Both parties agreed with my provisional findings, so I won't repeat them. I'll focus on the points made about the part of my award related to future renewals.

I agree with Mr S that my award will require Fairmead to act fairly going forward. Fairmead has agreed to do so. And it has an on-going duty to treat its customers fairly anyway.

There remains the possibility that at future renewals, Mr S may not consider Fairmead has acted fairly. I would encourage Fairmead to be clear and open with Mr S about the information used to calculate future renewal terms, so he can be assured the 2018

subsidence claim has been disregarded. But if an agreement can't be reached, Mr S will have the right to raise a complaint and potentially refer it to this Service if Fairmead can't resolve it.

Whilst Fairmead is entitled to delegate its underwriting to another company, Fairmead remains ultimately responsible for the underwriting. So it has a duty to ensure the underwriting is carried out fairly and follows the award made in this decision.

My final decision

I uphold this complaint. I require Fairmead Insurance Limited to:

- Pay £500 compensation
- Disregard the 2018 subsidence claim when offering future renewals

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 24 February 2023.

James Neville
Ombudsman