

The complaint

Mrs P thought Royal & Sun Alliance Insurance Limited ("RSA") made an unfair settlement offer in lieu of replacing her carpet following an escape of water claim under her home insurance policy.

What happened

Mrs P made a claim in June 2021 on her policy following a leak at her home. There were two parts to the settlement of the claim – (1) damage to the kitchen and utility (2) damage to her hall carpet (& matching replacement of staircase and landing carpet). After some difficulty the first part of the claim was agreed by both parties. This complaint relates to the second part of the claim – the replacement of the carpet in the hall, stairs and landing.

Initially, RSA's contractor made a desktop assessment of the claim and offered a cash settlement of £369 in September 2021. Mrs P rejected the offer. In November 2021, RSA's contractor visited Mrs P's home to validate the claim. It increased its offer to Mrs P to £829 and Mrs P would have to pay an additional £82 towards underlay. RSA's contractor said Mrs P provisionally selected a carpet for fitting after Christmas.

At the end of November RSA's contractor asked Mrs P if she wanted to proceed but quoted a different upgrade that Mrs P would be expected to pay (£275). It reminded her she could take the cash equivalent value. Mrs P asked clarification of the cash equivalent value and RSA's contractor informed her it would be £774. Mrs P sent an email confused by the different offers made and asked for clarification – she also stated she would prefer a better choice of carpet that better matched the quality of her damaged one.

Mrs P said she was asked to provide quotes to have the work done herself – she had four quotes and she said the lowest one was £1,722. Mrs P raised a complaint as RSA wouldn't match the carpet with a good quality one and she couldn't get the work done herself with the cash offer that RSA made. RSA's contractor said it only had to settle the claim at the cost it would cost itself to do the work.

Mrs P was unhappy with the general handling of the claim. She felt confused by the number of parties she dealt with and never had an explanation for the low initial offer. She said she had to endure Winter with the concrete floor exposed and wasn't refunded £90 in electricity costs for drying out her property. She said this was particularly distressing due to her vulnerable circumstances at the time. RSA said some of its contractor's service was short of expectations, so offered a goodwill gesture of £100.

Our investigator decided to uphold the complaint. After checking that RSA could still fit the carpets, he said it should replace the carpets or provide a cash settlement that allows Mrs P to have the carpets replaced herself. He thought Mrs P had been without a carpet for some time and would've been frustrated, so increased the compensation by £150 (to £250 in total). RSA disagreed, so the case has been referred to an ombudsman.

My provisional decision

I issued a provisional decision on this on 30 January 2023. I said:

"I have checked the policy in relation to claims settlement and it states "You can request a cash settlement where we're able to offer repair or replacement. If we agree to this, the amount we'll pay won't normally be more than what we would've paid our nominated repairers or product suppliers".

This kind of clause is normal in policies and our service thinks it's fair. It allows claims to be cash settled, but at an amount that it would cost the insurer. Insurers will normally have its own network of suppliers and will be buying services at lower commercial rates. However, if an insurer can't fully indemnify the customer in a reasonable timeframe (i.e., put the customer back in the same position she was in before the original incident occurred), then we'd expect any cash settlement to reflect what it would cost Mrs P to get the work done herself.

Since the investigator's view, I can see that RSA has confirmed that it is still willing to replace the carpet for Mrs P. However, having reviewed the sequence of events, I don't think RSA, or its contractors have managed this claim effectively. So, I am intending to uphold this complaint and I'll explain why.

RSA are experts in the claims process, so I think it should lead Mrs P efficiently through the process. I don't think it has done this. It has made the settlement process extremely confusing for Mrs P. Its initial cash offer was around 40% of the final offer it made – this shows it was not done fairly and not enough attention was given to ensure its customer was treated reasonably. It followed this up by offering different figures to Mrs P on two occasions and it took too long to correct the confusion that it had caused.

When RSA's contractor visited to validate the works and to get Mrs P to select a replacement carpet, it only brought 5 samples with it. Its contractor said it can visit again and bring more samples for Mrs P to view. I don't think this is an acceptable service – I think the contractor could've done more. I think it should've visited Mrs P first before making its initial offer, so it could properly match the carpet for quality. I think it should've arranged to take a greater range of samples for Mrs P to choose from.

I can see Mrs P made an extensive effort to get a range of quotes – and she's shopped around to try and get something that is competitive. She has chosen the cheapest quote. The suppliers have advised the old fittings won't be sufficient for a new carpet being laid, so has quoted for these to be replaced too and new underlay. I think this is reasonable. I think the lowest quote of £1,311 seems fair.

As I think RSA has let Mrs P down, I think it has forfeited its right to provide a cash offer at a level which doesn't cover Mrs P to get the work done herself. Mrs P has lost confidence in RSA, so I think she should be entitled to get the work done by her own contractor should she choose. Therefore, I intend for Mrs P to choose whether she wishes RSA to replace her carpet on a like for like basis or alternatively, I intend she can choose a cash settlement of £1,722 so she can get her own contractor to do the work. However, this quote was created around 15 months ago (one and a quarter years), so I think the price will have increased with inflation. I have assumed inflation of 10% per annum, so I have increased this amount by 12.5% to £1,937.

I think RSA could've dealt with this claim more efficiently – its first offer was in September 2021, so I think if it had made a fair offer or arranged a suitable replacement first time – Mrs P would've had her carpet by October 2021. So, I think Mrs P would've been distressed by only having concrete flooring during the winter. I think the poor handling of the claim has inconvenienced Mrs P. She hasn't been reimbursed her electricity costs for the drying of her

home. Mrs P has had vulnerable circumstances during the claim, so I think the impact on her would've been greater. Therefore, I intend to award her an additional £300 compensation for distress and inconvenience (£400 in total) and £90 reimbursement for electricity costs".

Responses to my provisional decision

Mrs P accepted my provisional decision and didn't have anything more to add.

RSA didn't have anything more to add.

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.

Given neither party has provided any new information, I see no reason to change my provisional decision.

My final decision

My final decision is that I uphold this complaint. I require Royal & Sun Alliance Insurance Limited to:

- Give Mrs P the choice of having
 - her replacement carpets supplied and fitted (including new fixings and underlay) by RSA, or,
 - a cash settlement of £1,937
- Pay Mrs P £300 compensation – for distress and inconvenience (in addition to the £100 RSA originally offered, which needs paying if it hasn't already)
- Pay Mrs P £90 – for electricity costs.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 15 March 2023.

Pete Averill
Ombudsman