

The complaint

Mr O has complained about his home insurer U K Insurance Limited (UKI) because it put his fire claim on hold to wait for the outcome of criminal proceedings taken against the suspect.

What happened

Mr O went to the shops in November 2020 and was notified by a neighbour that his house was on fire. His ex-girlfriend was later arrested on suspicion of setting the fire and, in the criminal court, in September 2021, she was found guilty.

Mr O had made a claim to UKI in November 2020. It had begun investigating it. But in February 2021 it said that its consideration of the claim would have to go on hold until the outcome of the criminal proceedings was known. Once those proceedings concluded in September 2021, UKI moved to settle the building and contents claims, including in respect of accommodation costs, with Mr O. The building claim and accommodation costs were agreed, in mid-September, in a matter of days, but payment took around two weeks. The contents claim took longer as UKI then asked Mr O to price the list of damaged contents and Mr O felt that was unfair as nearly a year had now passed since the fire occurred. It was early December 2021 before a settlement was agreed for the contents items and the claim was concluded.

UKI wrote to Mr O. It accepted that it had caused some delay in paying the agreed building and accommodation settlements. But it offered no remedy in that respect. It felt it had otherwise handled these issues reasonably. It said it had explained why the claim, as a whole, had to go on hold to await the outcome of the criminal proceedings and it had been reasonable, in the circumstances, for it to do that. It said it hadn't discriminated against Mr O and its investigations, including in respect of the questions it had asked him, had been necessary. UKI said that asking Mr O to price his damaged contents items was part of the normal claim process. It apologised for him having been sent, in error, a copy of the loss adjuster's investigation report.

Mr O remained unhappy. He complained to us.

Our Investigator felt that UKI had handled matters reasonably. So he didn't uphold the complaint. Mr O asked for an Ombudsman's decision.

The complaint came to me for consideration. I reviewed everything UKI provided. But I couldn't see any reasoning that might explain why it would put the insurance claim (a civil matter) on hold for the outcome of criminal legal proceedings. I asked it to explain why it had felt that was a necessary and reasonable thing for it to have done. UKI said its reasoning for taking that step was within the documents it had provided.

On review I felt the complaint should be upheld, with interest and compensation awards made against UKI. I issued a provisional decision in this respect. My findings of which were:

"I haven't seen anything on UKI's file to make me think its investigations were the result of any kind of discrimination, I think that the questions it asked and the enquiries it undertook in

the first few months of the claim were exactly as I'd expect to see in any investigation of this type. But UKI, in my view, acted entirely without reason and, therefore, unfairly when it put the claim on hold pending the outcome of the criminal proceedings.

Despite my careful review of everything UKI sent me, I couldn't find any reasoning in its file that might show why it felt this was necessary; what it thought it would add to its investigations and considerations of the claim. And when I gave UKI a further chance to explain its views on this issue, it referred me back to its file. In respect of the circumstances of the fire, UKI's file shows that the only concern it had by February 2021 was that there had been some discrepancies across a few of the things Mr O had told it. But I don't see that the criminal proceedings would have been likely to have had any bearing on those concerns at all. That's not least because insurance contracts are civil matters and subject to different burdens of proof. But also because insurance contracts are subject to specific terms and conditions against which a criminal's guilt or innocence usually holds little bearing. It seems to me that UKI felt that if the suspect was found guilty then it wouldn't need to worry about those concerns. But that doesn't feel right to me – it is up to UKI to investigate, validate and settle or decline the claim as appropriate. In my view UKI simply didn't do that here and the claim was unreasonably delayed as a result.

I think it's only reasonable that Mr O is compensated because of UKI's delay in handling things. Not only in terms of distress and inconvenience caused to himself – but he should have had the building and contents settlement sums sooner too. And regarding the contents settlement, I also think UKI could have progressed its request to Mr O to price the list in November 2021 immediately after the fire. An initial request was made, but seemingly when Mr O queried some items he felt were missing, the pricing wasn't pursued. I think that if that had been handled better at that time, before the claim was unfairly put on hold in February 2021, then it would have been much easier for Mr O to deal with (than it was in late 2021). Given that settlement for those claims, following confirmation of the outcome of the criminal trial being received, were agreed within days and three months respectively, and that by February 2021, all that was of concern to UKI were some discrepancies, I think both, if handled properly, should have resolved by the end of February 2021. As such I'm going to require it to make a payment to Mr O in respect of interest on the sum of £70,131.13 (buildings) and £26,036.00 (contents) from 1 March 2021 until settlement of each sum was paid. And as I've found that the claim settlements should have been paid by the end of February 2021 – that means the buildings claim was unreasonably delayed by six and half months and the contents claim by nine. I'll take that into account when awarding compensation for upset.

I note that UKI's settlement for buildings was net of VAT. That isn't unusual in the first instance – but I'm not sure if UKI has told Mr O that he can claim to it for the VAT sum if he incurred VAT on completing those repairs. If it hasn't told Mr O that, it should have done. If Mr O presents it with VAT invoices, it should pay the VAT due (up to its maximum liability). Plus interest from the date they were incurred until settlement is made.*

The accommodation settlement was for the cost Mr O would likely incur during the work. So I'm not going to require UKI to add anything to that sum. I know Mr O likely had to stay away from home for two weeks longer than planned given the delay in UKI's payment for the building work. But he's told us that he didn't incur any extra costs for those two weeks, which means I can't reasonably require UKI to pay him more money in line with the agreement they had for accommodation costs. Simply put its failure did not result in a financial loss for him in this respect. But Mr O has explained he'd rather have been able to move home sooner – which he could have done but for this delay. So I'll take that distress and inconvenience into account when awarding compensation. I think UKI otherwise handled the accommodation settlement reasonably and I won't ask it to pay anything more.

Mr O should not have been sent the report prepared as part of UKI's investigations. It was not prepared for his consideration and, as such, it doesn't surprise me that it was upsetting for him to read its contents. I don't think there was anything wrong in the content of that report – I think it was all detail, reasoning and expert views, all of the like I would expect to see in an investigation of this type. But seeing a report like this, with this type of content can be distressing for a policyholder. And here this report was sent to Mr O by mistake – he had not asked to see a copy of it, so he was not prepared for what it might contain or that its contents were not for him to see, meaning they might be upsetting. I'll take this into account when I award compensation.

I think that to make up for the distress and inconvenience UKI caused Mr O, which I've explained above, UKI should pay £1,500 compensation. I think this is fair and reasonable in the circumstances."

Mr O said he accepted my findings. UKI said it disagreed with them.

UKI said that from the first notification of loss there were several discrepancies in what Mr O told it – such that it had concerns Mr O may've been involved in the incident somehow. UKI maintained that its concerns justified the wait for the outcome of the criminal proceedings.

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.

I note Mr O has accepted my findings. I've considered what UKI has said in reply – but, in my view, it doesn't add anything to what I knew when issuing my provisional findings.

Fraud is a serious concern for insurers, and this service appreciates that sometimes, where a claim involves such concerns, legitimate and reasonable enquiries, necessary to satisfy an insurer as to the validity of a claim sometimes prolong a claim. And I mentioned in my provisional findings that enquiries UKI undertook in the first few months of the claim, with a view to determining validity, were, in my view fair and reasonable. But I also said those enquiries resolved most of the issues of concern. Those remaining in February 2021, when UKI put the claim on hold could not, in my view, have been resolved by the outcome of the criminal proceedings, of which Mr O was not a part, whether the suspect was found guilty or innocent. Nothing UKI has said makes me think that it had any reasonable expectation that the outcome of the criminal proceedings would have been likely to add value to its claim validation enquiries. I remain of the view that UKI acted unfairly and unreasonably by putting Mr O's claim on hold to await the outcome of the criminal proceedings.

Having reviewed matters, my provisional view has not changed. As such, my provisional findings, along with my comments here, are not the findings of this, my final decision.

Putting things right

I require UKI to pay Mr O:

- An amount equivalent to interest* applied to the sums of £70,131.13 and £26,036.00 from the 1 March 2021 until payment of these sums was made.
- An amount, if Mr O has incurred VAT on building repairs, to cover Mr O's VAT costs for the building work covered by the settlement of £70,131.13, up to UKI's maximum liability for VAT on that work of £14,026.23, plus interest* from the date VAT was paid by Mr O until settlement is made.

- £1,500 compensation.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs requires UKI to take off tax from this interest. If asked, it must give Mr O a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require U K Insurance Limited to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 11 April 2023.

Fiona Robinson
Ombudsman