

The complaint

Mr and Mrs C complain about Royal & Sun Alliance Insurance Limited's (RSA) handling of their claim following an escape of water, under their home buildings insurance policy.

What happened

In April 2021 Mr and Mrs C discovered water leaking from an upstairs bathroom. This caused significant damage to their home. They contacted RSA to make a claim under their policy, which it accepted.

RSA wrote to Mr and Mrs C to explain the process. The first step was to allow the property to dry out completely. A contractor was appointed to oversee this. Mr and Mrs C wanted to explore the possibility of appointing their own contractor to complete the repairs. RSA provided a schedule of works (SOW) in August 2021 along with a settlement offer. Mr and Mrs C decided to continue with RSA's appointed contractors.

RSA says there were delays whilst Mr and Mrs C chose materials. They confirmed their choice in mid-January 2022. The repairs were planned to begin in mid-March. RSA says the materials chosen by Mr and Mrs C exceeded the budget provided in its SOW. Also, that they were in discussion with its contractor over private works. RSA says Mr and Mrs C told the contractors not to begin work whilst these issues were ongoing.

Mr and Mrs C obtained quotes from local contractors at the beginning of April 2022. The quotes were for around £60,000 and £112,000. It was agreed that a further SOW would be obtained by RSA. This was provided to Mr and Mrs C in late April. They confirmed the settlement offer was too low to appoint their own contractors and they would continue with RSA's appointed repairers. The contractor surveyed the work toward the end of May, and a meeting was held with Mr and Mrs C in mid-June.

There was some dispute around the materials and type of fitting relating to flooring and wall tiles through July 2022. Work began in mid-August. Mr and Mrs C raised concerns with the quality of the work. Particularly about the standard of the plastering in the kitchen. The contractor ceased work in early September. Mr and Mrs C say they had to pay for wall tiles themselves, due to delays on RSA's part. This was to avoid paying a higher price. There was disagreement about whether all areas of wall tiles were covered, as Mr and Mrs C wanted to make changes in the bathroom.

A new contractor was appointed around the beginning of October 2022 and a meeting was held with Mr and Mrs C at the end of the month. The work was agreed to begin in the second half of November with the majority to be completed before Christmas.

Mr and Mrs C submitted a formal complaint to RSA in September 2022. In its response RSA says the settlement offer it made was correct. But it acknowledged communication hadn't been of a good standard, including from the agents it appointed. RSA also acknowledges delays due to substandard work, and a ten-week lead time to appoint a different contractor. This impacted on the time taken to complete the repairs. It paid Mr and Mrs C £400 to compensate for the impact this had on them.

Mr and Mrs C didn't think this was fair. They refer to the disruption caused by the delay in completing the repairs, as well as the stress, anxiety, and inconvenience this caused. Mrs C was pregnant whilst this was ongoing, which made matters worse. They say the cost of the claim is well in excess of the settlement offer RSA first made. Had a more accurate costing been provided initially, they say a better-informed decision could've been made as to whether to appoint their own contractor.

Mr and Mrs C say because such a significant part of their home couldn't be used for a long time, RSA should pay compensation based on the monthly rental value of their property. Because they didn't accept RSA's findings Mr and Mrs C asked our service to consider the matter. Our investigator upheld their complaint. She says RSA didn't handle the claim well. This resulted in delays and made a stressful situation worse. Particularly as Mrs C was pregnant. Our investigator thought an additional £750 in compensation represented a fair outcome.

Mr and Mrs C didn't accept our investigator's findings. They asked for their complaint to be considered by an ombudsman.

It has been passed to me to decide.

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.

Having done so I've decided to uphold Mr and Mrs C's complaint. I don't think RSA's compensation payment was fair given the issues described. But I do think the amount our investigator suggested is reasonable. This means I won't be requiring a higher payment. I understand this will come as a disappointment to Mr and Mrs C. But I will explain why I think my decision is fair.

I'm sorry Mr and Mrs C's home was damaged. This must've been a very distressing time for them. Particularly given the extent of the damage and the time taken to complete the repairs.

Some degree of disruption and inconvenience is unavoidable in these circumstances. But we expect RSA to handle claims effectively to avoid unnecessary delays and inconvenience. This is what my focus is on here.

RSA has provided detailed records that show the contacts between all parties. This documents the progress of Mr and Mrs C's claim. I can see that drying work was required before any repairs could begin. RSA has provided a report from the specialist drying company it used. I can see the drying works began shortly after Mr and Mrs C registered their claim. The report provided shows the property was confirmed to be dry at the beginning of June 2021. The repairs could begin from this date.

The records show Mr and Mrs C were unable to get in touch with their appointed contact at RSA for a considerable period toward the end of May and into June 2021. The notes indicate this was because their contact was ill and not at work for around six weeks. It doesn't appear that this was explained to Mr and Mrs C.

I've seen the SOW RSA sent to Mr and Mrs C toward the end of August 2021. They responded to say it appeared to cover the required repairs. A settlement payment of around £20,000 was offered at this time. As discussed, Mr and Mrs C decided to remain with RSA's appointed repairer, which they confirmed in the early part of September. This is because the contractors they approached couldn't do the work for the settlement payment offered.

I can see that RSA contacted Mr and Mrs C on a number of occasions regarding their choice of materials. They confirmed their choices in the latter part of January 2022.

Mr and Mrs C explain that they spoke with RSA's contractor and were told to select materials and it would organise the refit once choices were made. They say they often sought to clarify budgets but to no avail.

I acknowledge Mr and Mrs C's comments. But having read the SOW costing provided by RSA - this includes confirmation of the allowable material costs.

Works were planned to commence in mid-March 2022. The records show the materials chosen by Mr and Mrs C didn't meet the limit specified in the SOW. There was a discussion around this, and Mr C advised he would obtain a quote locally. The notes also show Mr and Mrs C weren't happy with the cost of private work RSA's contractor had confirmed. It was at the beginning of April that Mr C said he'd received verbal quotes for the work. It's clear the quotes were considerably higher than the costing set out in RSA's SOW. It was at this time that RSA agreed for the work to be rescope and an updated SOW produced. This was provided at the end of April.

I can see that Mr and Mrs C informed RSA they would have to continue with its contractor. This was confirmed at the start of May 2022. It wasn't until mid-August that work began. From the records there were ongoing discussions through July and August as to whether wall tiles were included as part of the scope. RSA says this is because Mr and Mrs C wanted to include a different bath. This involved additional work not a like-for-like replacement of what was in place before the damage occurred. It was also identified that the wall tiles Mr and Mrs C bought were a different shape to the tiles in previously in place. RSA notes state that this would result in more wastage and therefore more costs.

Discussions took place regarding the type and installation method of some of the replacement flooring. I can see RSA highlighted that the flooring Mr and Mrs C chose was more expensive than the cost set out in the SOW. They also requested that this be laid in a herringbone pattern – RSA's contractors advised this entailed more work than had been scoped for based on the pre-existing floor.

Mr and Mrs C have provided photos of the defective plaster applied by RSA's contractor in August 2022. The work was inspected and found not to be up to the required standard. This point isn't in dispute. I can also see the marks Mr and Mrs C have shown on their ceramic hob, as a result of the plastering work. The records state a "*breakdown in communication*" had occurred between Mr and Mrs C and the contractor. I think it was reasonable that a different contractor was appointed as a result of this.

I acknowledge Mr and Mrs C's comments that the work was agreed to begin earlier, at the start of August 2022. They say confirmation of flooring material for one sitting room shouldn't have delayed the work progressing in the kitchen or bathrooms.

Unfortunately, due to the need to appoint a new contractor as a result of the defective work, this meant the repairs didn't recommence until mid-November 2022. This was due to the availability of the chosen contractor. In these circumstances the decision to appoint a new contractor appears reasonable. Although the defective work wasn't carried out by RSA directly, it is responsible for the actions of its contractor. This resulted in around a ten-week delay in repairs being carried out.

I've thought carefully about the timeline of events. I acknowledge Mr and Mrs C's comments that the repairs took a very long time to commence. The loss event occurred in April 2021, but work didn't begin until August 2022, which was over 16 months later. There was a period

of around two months for drying work to be completed. But the overall time to carry out the repairs appears excessive.

From when Mr and Mrs C were provided with the first SOW, they took some time to consider whether to appoint their own contractor. Once they had agreed that RSA's repairer was to be used, it took around four months before they confirmed their material choices. This delayed progression of the claim. There was a further delay when the planned start date in mid-March 2022 was put on hold by Mr and Mrs C. This was due to materials exceeding the costs set out in the SOW and the need to resolve this. Time was then needed for Mr and Mrs C to approach local contractors again, to see what the work would cost.

From what I've seen I can't say that RSA was responsible for this delay. Or the subsequent decision by Mr and Mrs C to obtain further quotes. Their quotes were again higher than RSA's contractor could complete the work for, and this took some time to arrange. RSA then had to provide a further SOW. After this Mr and Mrs C again agreed to continue with RSA's contractor.

There were further discussions around materials and private works. I don't think this prevented works from starting in all areas of the property. But the delay caused by the poor-quality plastering and appointment of a different contractor was RSA's responsibility.

I've thought about Mr and Mrs C's view that their ability to appoint their own contractor was impeded by RSA's initial costings being lower than the eventual cost of the repairs. I understand their frustration, the overall cost did increase throughout the period of the claim. However, extensive repairs over three floors of the property were required. I think it reasonable to expect some additional work and costs would become apparent during the repairs in these circumstances.

I can see from Mr and Mrs C's policy terms that RSA will offer to repair or replace using its preferred supplier. If a cash settlement is agreed as an alternative this won't normally exceed what it would pay its preferred supplier.

Generally speaking, an insurer can benefit from lower costs using a network of preferred contractors. This is as a result of economies of scale given the volume of work an insurer will require. This will often mean they can arrange repairs at a cheaper cost than an individual can using local contractors. The cost of the repairs did increase during the claim. But I don't think it was unreasonable for RSA to base its settlement payments on its SOW costings, which is in line with its policy terms.

Having considered all of this I think the time taken to complete the repairs has been excessive. As discussed, RSA must take responsibility for the delays that occurred including those created by the contractors it appointed. I've thought about the impact this had on Mr and Mrs C. Their home was in a state of disrepair for a long period, which affected their everyday day life, causing inconvenience and distress. Mrs C was pregnant during this period, which added to the distress.

RSA concedes the communication provided by its contractor wasn't to the expected standard. Based on the information I've seen I think this is a fair assessment. Overall, I think Mr and Mrs C had a poor experience as a result of RSA's claim handling. I don't think the payment it offered in compensation adequately addresses this. I agree with our investigator that a further payment should be provided and that £750 is fair in these circumstances.

I note Mr and Mrs C's comments that a large part of their home was affected by the damage caused. They have requested a significantly larger payment in compensation, using the rental value of their home as a benchmark for this over the period of the repairs. Although

I'm sorry about the inconvenience and distress they've been caused, I won't be asking RSA to provide a payment on this basis. I understand they will be disappointed. But I'm satisfied the compensation I've set out is fair.

My final decision

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

- pay Mr and Mrs C an additional £750 compensation for the distress and inconvenience it caused them.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs C to accept or reject my decision before 13 July 2023.

Mike Waldron
Ombudsman