

The complaint

Mr and Mrs F complained about delays caused by Zurich Insurance plc (“Zurich”) in repairing damage caused by a leak following a claim under their home insurance policy. Mr and Mrs F were insured as part of a wider “block” policy.

What happened

Following a leak in their home, Mr and Mrs F made a successful claim to Zurich. To resolve the claim, Zurich appointed contractors to rectify the damage caused by the leak. Mr and Mrs F said the contractor made a series of visits to their property *“but up ‘til today no physical repairs have been effected”*. Mr and Mrs F said, *“we made several complaints, wrote several emails, several phone calls but nothing was done”*. They were unhappy that their correspondence often went unanswered.

Mr and Mrs F feel they’ve been left to live in an unhealthy environment and believe their safety has been compromised. They said their property has degenerated and some of their facilities can’t be used. They want Zurich to complete the repairs and pay reasonable compensation. Several months after the complaint, Mr and Mrs F remained frustrated with the lack of progress getting their repairs completed, so they accepted a cash settlement to allow them to move on and get their own contractors to do the work.

In October 2021, Zurich’s contractor said it offered to either repair the damage or cash settle the claim. However, Zurich said *“the cash settlement offer was not accepted because it didn’t include the alternative accommodation costs which would normally be paid had the repairs been carried out by the approved contractors”*. Zurich said both parties failed to progress the claim – it said this may have been down to some sort of confusion / lack of understanding. In Jan 2022, Zurich’s contractor said he contacted Mr and Mrs F to ask how they wanted to proceed with the claim.

In April 2022, Mr and Mrs F made a complaint. Zurich said it failed in registering Mr and Mrs F’s complaint and paid £150 in compensation for this. In addition Zurich’s contractor paid £150 compensation for the delays it felt it had contributed to.

Our investigator decided not to uphold the complaint. She thought that although Mr and Mrs F felt the repairs were delayed, she thought there was evidence that Zurich didn’t know that Mr and Mrs F had opted for the repair (instead of a cash settlement). She thought the £300 paid in compensation was fair for Zurich’s part in delaying the claim. Mr and Mrs F disagreed, so the case has been referred to an ombudsman.

My provisional decision

I issued a provisional decision on this on 1 February 2023. I said:

“Having read the testimonies provided by both Mr and Mrs F and Zurich, I think there is conflicting accounts over what exactly happened during this claim. Therefore, I have read the supporting information that has been provided to try and find clearer evidence that helps

me properly understand the circumstances of this claim up until Zurich issued its final response in July 2022.

I can see the claim progressed well after it was initially registered in August 2021. Zurich appointed contractors and an initial inspection of the damage took place promptly. A report summarising the findings of the inspection was produced on 8 September 2021. I can see Mr and Mrs F contacted Zurich two weeks later to try and find out what would happen next. Zurich confirmed its contractor would be in touch to arrange drying and then the building works. I think Zurich should be explaining to Mr and Mrs F in advance on what to expect – I think Zurich could've been more pro-active.

Early in October, Zurich's contractor provided it with a revised schedule of works, which included guidance that alternative accommodation (AA) would be required whilst the works were being carried out. I can see in mid-October, Mr and Mrs F tried to get an update on the progress of their claim. I can see at this stage there were internal memos between Zurich and its contractors. The contractor asked for confirmation that Mr and Mrs F were in AA so it could start work (it was suggested this would need to be for 12 weeks). I think this shows a lack of communication between Zurich and its contractors, as AA had never been proposed to Mr and Mrs F.

On 22 October, Mr and Mrs F asked about the possibility of a cash settlement instead of having the works carried out. It appears they were offered a settlement value of £2,542. Mr and Mrs F asked for a breakdown of the cash settlement.

In mid-January 2022 after Mr and Mrs F had chased Zurich, they were informed by its contractor that it couldn't discuss the details of the cash settlement with them. I can see the contractor then informed Zurich on 1 February that it had offered Mr and Mrs F a cash settlement and was waiting to hear if Mr and Mrs F accepted it. In March, I can see Zurich tried to get updates themselves from its contractor on the progress of the claim. I don't think Mr and Mrs F were provided the information they needed, and I think there is further information of a communication breakdown between Zurich and its contractors.

I can see in April, Mr and Mrs F contacted Zurich and said they wanted Zurich to carry out the repair works. Zurich's complaint notes don't capture why the cash settlement wasn't taken up by Mr and Mrs F, but they have since confirmed that the settlement wasn't enough to cover the cost of the repairs and hadn't taken in to account an allowance for AA. Later in April, I can see Mr and Mrs F raised a formal complaint with Zurich due to the claim delays and frustration at the continual lack of information provided by Zurich's contractors on the progress of the claim. I can see little progress was made on the claim until Zurich issued its final response to the complaint in July 2022.

I've considered these events until July 2022. I'm aware a new complaint may have been raised for events after this date – but for clarity, I can only consider the information that is available to me from this investigation and those points that Zurich had opportunity to comment upon in its final response.

I can see Zurich and its contractors has paid Mr and Mrs F £300 in total for compensation. So, I have considered whether I think this is reasonable for the distress and inconvenience caused during this time. I don't think it is, so I'm intending to uphold this complaint and I'll explain why I think this.

I start from the position that Zurich is an expert in handling claims – it does it every day and should do this well, whereas Mr and Mrs F won't be familiar with the claims process. My expectation is that the claims expert should facilitate the process and make it easy for the

policyholder to navigate. There should be evidence that Zurich has led Mr and Mrs F through the process.

However, from early on – I can see Mr and Mrs F were asking for help in understanding things and were getting little back in the way of answers. Examples include asking for next steps or getting an understanding of how their cash settlement offer was calculated.

I think there is evidence the cash settlement initially offered was on the low side – which is ultimately why it wasn't accepted. I can see the "reserve" (estimate of the maximum price) that Zurich thought the repairs would cost increased throughout the claim discussion. The reserve was significantly higher than the cash settlement that was offered. Mr and Mrs F didn't think the offer included an allowance for alternative accommodation. I haven't seen a breakdown of the offer, but given the amount, I'm certain it didn't include an amount which reflect Zurich's contractor's view that AA would be needed for 12 weeks.

The settlement offer wasn't part of Mr and Mrs F's complaint, so I won't conclude whether I think this was fair – however, I think it did lead to some of the delays. I think if Mr and Mrs F felt the offer was sufficient to allow them to get the works completed by someone else and would provide cover for them to take AA then they would've accepted it. However, Mr and Mrs F's attempts to understand the offer and ultimately discuss it with Zurich failed as Zurich's contractors wouldn't meaningfully engage on this point. I think this caused some avoidable delays.

Between October and January, Zurich provided no meaningful information – the deadlock was broken by Mr and Mrs F chasing Zurich. I think this demonstrates Zurich and its contractor's reactive approach during this claim. There is also evidence that Zurich struggled to get updates itself from its contractors.

I would expect a claim of this nature made in August to be concluded at least by the end of that year. So, the claim has been delayed by six months or more (up until July 2022). Whilst I think it could be argued Mr and Mrs F contributed slightly to this by not responding promptly every time, I think most of the delay was Zurich's responsibility. So, I intend to uphold this complaint.

I think the delays have meant Mr and Mrs F have lived in conditions that were far from ideal. They've had to put up with the damage the leak caused for much longer than they should've had to. The poor handling of the claim has meant Mr and Mrs F have been left confused by the process and they've had to constantly chase to try and understand what was happening – this would've been frustrating. Therefore, I intend to award an additional level of compensation of £300 for the distress and inconvenience caused (so £600 in total).

For the avoidance of doubt, I have not considered what happened after July 2022 or the fairness of the cash settlement offer as these weren't part of the investigation of this complaint".

Responses to my provisional decision

Mr and Mrs F accepted my provisional decision and didn't have anything further to add.

Zurich didn't respond to my provisional decision.

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 Zurich Insurance plc to pay Mr and Mrs F:

- £300 compensation for distress and inconvenience (plus the £300 initially offered by Zurich and its contractors if it hasn't already been paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F and Mr F to accept or reject my decision before 3 April 2023.

Pete Averill
Ombudsman