

The complaint

X and X complain Zurich Insurance PLC has made an unfair settlement offer and caused delays following a claim for an escape of water which caused damage to their property.

What happened

X has led the complaint with this Service so I'll mainly refer to him throughout. X appointed a loss assessor to help manage the claim on his behalf. References I make to X's actions include those of his loss assessor.

Zurich is the underwriter of the policy i.e. the insurer. Part of this complaint concerns the actions of its agent. As Zurich has accepted it is accountable for the actions of this agent, any reference to Zurich includes its agent.

The background to this complaint is well known to the parties so I've included a summary here.

- X purchased a property in March 2020 and it had the benefit of a block buildings insurance policy underwritten by Zurich.
- Prior to his ownership of the property, X says the previous owners identified a leak causing water damage to the flat. The source of the water leak was identified as a faulty wastewater pipe from the washing machine in another flat.
- Shortly after the completion of his purchase of the property, X says the leak caused failure of the ceiling in the kitchen area and further damage. He let the management agents of the development ("Company H") know about this.
- X says he made numerous attempts to obtain updates about the progress of the claim from Company H but after nine months he says there was no sign of progress or formal communication. So, he decided to instruct his own contractors to undertake the work.
- X says there was significant water damage to kitchen units and appliances, flooring, ceiling, entrance walls, fire protection items and ceiling heating elements. He said much of the damage was hidden and only became apparent when kitchen units were removed. X presented a quotation from his contractor for the work to the kitchen and living room detailing the cost as £26,172.04 plus VAT. This provided a summary total figure without a breakdown of the individual aspects of the work or costings.
- While the remedial work was undertaken, X also arranged for his contractors to undertake some unrelated refurbishment work to areas of the flat.
- Company H had previously obtained a quote for the remedial work from one of its contractors and this was for £7,220 plus VAT (£8,664) and Zurich based its settlement offer on this. X says this was without the benefit of the more intrusive investigations undertaken by his contractor and didn't cover all water damage.

- Zurich was concerned about the extent of the work X had undertaken as it was aware of the additional refurbishment work to the flat. It asked for supporting documentation/an itemised quote to ensure it was all related to the claim damage. It also said Company H had been on the understanding the damage could be repaired rather than the extensive work undertaken.
- Unhappy with progress, X complained to Zurich. It responded to say it had attempted to come to an agreement on costs and had asked for additional evidence to substantiate the amount X had spent but this hadn't been received. It said that part of the issue was X's loss assessor hadn't produced a scope of work or costs as he hadn't seen the original damage.
- In the absence of the additional evidence, it reiterated its settlement offer of £8,664 including VAT. It awarded £150 compensation as it recognised it had caused some delays and poor communication.
- X raised a complaint with this Service, unhappy with the progress of the claim and the lack of settlement. Our Investigator didn't uphold it saying it wasn't unreasonable Zurich asked for a breakdown of costs given its concerns and X hadn't provided an alternative quote setting out why the figure X was claiming was reasonable. He thought the delays were caused by the property management company and not the fault of Zurich.
- X disagreed, explaining in detail his reasons for doing so. He also reiterated a number of questions he believed Zurich should answer regarding the inspection of the property before he owned it.
- The complaint has come to me for an Ombudsman's 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.

My role as an Ombudsman at this Service is to say how complaints should be resolved quickly and with minimum formality. That means I'll focus on what I consider to be the crux of the complaint and may not refer to every point made by the parties. But I can confirm I have seen and considered everything even where I don't reference it specifically.

There are a number of parties involved in the claim at the heart of this complaint. My decision focuses on Zurich's actions throughout the claim and subsequent complaint and I won't make findings on the other parties involved.

Zurich's actions in January 2020

I recently issued a decision on this aspect of the case, explaining this Service didn't have the power to consider Zurich's actions before March 2020 when X purchased the flat. So, I won't comment on that issue further.

The additional information requested

Generally, insurers expect to be able to inspect damage and assess the extent of their liability under a claim and this isn't unreasonable. For obvious reasons, this is much easier before remedial work is undertaken. Where the work has already been undertaken – as it has here – then I would expect an insurer to consider the evidence available to decide what

work would likely have been required and covered under the policy.

Company H obtained an estimate for the work which indicated costs of £7,220 plus VAT and this is what Zurich based its settlement on. X says this was obtained before the true extent of the damage was revealed by more intrusive investigations he had undertaken. Following these, his contractor provided an estimate for the work at a cost of £26,172.04 plus VAT but this provided no scope of works or breakdown of the associated costs.

X instructed his contractor to proceed with the repairs as he says he'd heard nothing from Zurich and he asked it to pay this full amount in settlement of the claim. Zurich hadn't had the opportunity to reassess its settlement in the light of these more invasive investigations and asked for further evidence to substantiate the costs. Given this and the significant differential between the initial estimate and that presented by X, I think it was reasonable for Zurich to request this further evidence.

X did provide Zurich with his own spreadsheet providing slightly more detailed breakdown of the costs involved but I note a significant proportion of the costs remain unexplained. And I've seen nothing from X's contractor or loss assessor which provides a greater level of detail or explanation about why the work was required or any confirmation it all related to damage as a consequence of the escape of water.

So, given Zurich wasn't able to reassess the extent of the damage itself and X hasn't provided Zurich with the evidence it requires in support of his claim, I don't think Zurich has acted unreasonably in declining to revise its settlement offer based on what X has provided it with. Should X provide any further expert opinion or evidence to support his position, I'd expect Zurich to consider it.

Delays in claim progress and settlement

As I explained above, there were various parties involved in the claim including but not limited to Zurich, its agents, Company H and the broker it used. It's not been possible to attribute individual periods of delay to specific parties based on the information I've been given. On balance, it seems to me unlikely that the delays in claim progression can be solely attributed to Zurich. I say this as X makes reference to repeated unsuccessful attempts to obtain updates from other parties and lack of responses from any of those involved.

I asked Zurich for an explanation of why the claim took as long as it did to give it the opportunity to explain where delays had occurred which were out of its control. I asked it to comment on a high-level timeline from the information I've seen:

- X first reported the water damage in March 2020.
- He instructed his own contractors when, after nine months, he'd heard nothing on the claim.
- He only received a proposed settlement figure in December 2021.
- He says he was only asked for a breakdown of contractor costs in February 2022.

The deadline for Zurich to respond was 16 February 2023 and despite this deadline passing some time ago Zurich didn't provide responses to my enquiries and it didn't comment on or question my timeline. It's recently requested more time to respond but I'm satisfied it has had adequate time to do so already. I explained to Zurich in the absence of a response by the deadline, I would proceed with my decision on the basis of the information I had.

Even allowing for the various parties involved, I think Zurich should have progressed the claim quicker than it did. It took approximately two years to get to the point it asked X for the

detailed breakdown of the work undertaken and this is simply too long. It's clear from X's testimony, he found the delays frustrating and stressful particularly given that he was unable to move into the newly purchased property for much of the time the claim was ongoing.

Taking everything I've said above into account, I don't think the £150 Zurich has offered X fairly reflects the impact on him of these delays. I've thought about this very carefully and I've concluded Zurich should pay X an additional £650 for the distress and inconvenience it caused. I say this as I'm satisfied that the £800 in total is reflective of the additional stress and disruption it has caused X beyond what I would expect in a claim of this nature.

Finance agreement

X says the delays have caused him financial detriment as the work he had undertaken was financed by a loan. He says he should be compensated for this. But I note this wasn't an aspect of X's complaint covered under Zurich's final response so it's not clear to me if he has already complained to Zurich about this.

Once X provides Zurich with the clarification of costs it requires, it has confirmed it will reconsider its overall settlement in the light of this information so I will leave Zurich to consider this in the first instance.

My final decision

My final decision is that I uphold this complaint and direct Zurich Insurance PLC to pay X and X a total of £800 for the distress and inconvenience it caused them through its poor claim handling, deducting from this anything it's already paid them.

Under the rules of the Financial Ombudsman Service, I'm required to ask X and X to accept or reject my decision before 7 April 2023.

Paul Phillips
Ombudsman