

The complaint

Ms F complains about Zurich Insurance PLC (Zurich)'s handling of her claim and settlement offer, from her home insurance policy.

What happened

Ms F had a leak at her home and made a claim with Zurich. It sent a surveyor to assess the damage, but when the surveyor asked Ms F questions regarding the amounts, she said it would cost to carry out the repairs, she wasn't happy and asked him to leave. The surveyor told Zurich he was unable to obtain the information necessary to assess the claim. So, Zurich sent another surveyor.

That surveyor carried out a full assessment, took photographs, and compiled a scope of works (SOW). But Ms F told Zurich that she didn't want its contractors to undertake the repairs, as she had a previous poor experience with them. So, Zurich asked Ms F to obtain three quotations for the repairs.

Ms F obtained the quotes and submitted them to Zurich. Zurich considered the quotes and decided that the lowest cost quote would be used as a basis of settlement. It further decided that only certain items on the quote would be settled. This was because it felt that those parts were water damaged.

Zurich initially offered by way of settlement £2,460. But a recalculation found that it should've offered £2,590, which it agreed to, less the policy excess of £50.

Ms F wasn't happy with the settlement figure, as she felt that the entire area should be covered. Because of this Zurich, offered to either revisit Ms F's home or conduct a video call to try and assess the damage. Neither option, Ms F agreed to. So, she raised a complaint to Zurich.

In its final response, it maintained its offer to revisit or video call Ms F. It accepted that there had been some poor service, issues and offered Ms F compensation of £400. Ms F was given her referral rights and referred a complaint to our service.

One of our investigators considered the complaint. She said that having reviewed the settlement, Zurich should've offered £2,590 (less the excess of £50). She said that there had been delay in making the offer and she felt that the compensation of £400 was fair. She also said, that if Ms F thought that the entire area should be renovated, then expert evidence should be provided that could support the reason why this was the case.

Zurich accepted the view, Ms F did not. She asked for a decision from an ombudsman, as she said that Zurich ought to pay for the full costs of the replacement, either to her or her contractor.

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 will uphold this complaint, but for much the same reasons as our investigator, which I understand is likely to be a disappointment for Ms F, but I hope my findings explain why I think this is fair.

I have reviewed both party's comments. And I think the main issue here is whether Zurich was fair in its settlement offer. So, I've addressed by findings with this in mind.

Ms F said that she had had a previous bad experience with Zurich's contractors and as a result Zurich agreed for Ms F to find contractors that she would be happy with to carry out the repairs. Zurich asked for quotes of the work that these contractors proposed to do. All of this I think was fair.

Ms F obtained three quotations, with varying estimates. From the evidence, it is clear that Zurich discounted two of the quotes as it felt that they were too excessive. It did though consider one quote out of the three. This quote was compared to the SOW that Zurich had obtained from the surveyor who was able to complete an assessment of the damage.

It should be noted that Insurers, like Zurich, are able to achieve substantial discounts on goods and services from contractors, due to the high volume of work that it passes to them. So, it's not unusual for insurers to settle claims at costs, that are far lower than those policyholders are able to get.

Zurich agreed to pay for around seven items on Ms F's lowest quote. It did this as it said those items were directly affected by the leak.

Ms F disagreed and said that her contractor told her that the entire area was affected by the leak and as such Zurich ought to settle the claim by paying for the entire area to be renovated. But the purpose of insurance policies are to provide cover for insured perils such as an escape of water. And that cover puts the policyholder back into the pre-loss position. It does not provide cover for betterment.

I have reviewed both the SOW and the quote that Ms F provided. And I think that Zurich was reasonable to settle the claim on the work that matched its surveyor's SOW to the quote from Ms F's contractor. Ms F was asked to provide further evidence from her contractor (which could be a report) as to why the entire area would need to be restored. This wasn't provided. Consequently, there is no other independent evidence for me to consider, that is able to refute Zurich's settlement offer. And based on the evidence, I'm satisfied that Zurich was fair to settle the claim with its offer of £2,590 (less £50 excess).

I have next considered the level of compensation offered by Zurich. Zurich offered £400 for the poor service that Ms F experienced. I'm satisfied that there was delay during the claims process, which was avoidable. The delay appeared to have been around the settlement, which Zurich revised a few times. I think it could have made the offer to settle sooner and I'm satisfied that the level of compensation was fair, as it adequately took into consideration, the impact of the poor service on Ms F.

Putting things right

Taking all the circumstances into consideration, I think Zurich was fair in the settlement offer. I think Ms F would have suffered some distress and inconvenience due to the poor service issues and I think Zurich was fair and reasonable to offer £400 compensation for the trouble and upset caused.

My final decision

For the reasons given, my final decision is that I uphold this complaint. Zurich Insurance PLC to settle the claim and pay Ms F £2,590 (less the policy excess of £50).

Zurich Insurance PLC to pay Ms F £400 compensation (if it hasn't done so already) for the distress and inconvenience caused.

Zurich Insurance PLC must pay the above amounts within 28 days of the date on which we tell it Ms F accepts my final decision. If it pays later than this, it must also pay interest at 8% a year simple on the above amount, from the date Ms F accepts my final decision, until it is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 12 June 2023.

Ayisha Savage
Ombudsman