

The complaint

Mr and Mrs B complain about the decisions and handling and payment for their claim for damage from an escape of water at their home by their insurer, Fairmead Insurance Limited. All references to Fairmead include its agents.

What happened

In October 2020 Mr and Mrs B reported an escape of water at their home. Mr and Mrs B said this was coming from under their kitchen floor, and they had the leak repaired.

Fairmead appointed loss adjusters to manage the claim and they visited Mr and Mrs B in October 2020. They appointed contractors who managed the strip out works of the damaged fixtures and fittings. Alternative accommodation was required, but Fairmead said it took until March 2021 to agree this as Mr and Mrs B rejected properties that didn't meet their needs, then moving in with relatives at an agreed allowance of £2,500 per month.

Drying out was completed in April 2021 and Fairmead said it was only at this point it was able to appoint contractors to begin the repairs. Fairmead said that during the stripping out a second leak was discovered, and this had damaged a base unit etc, and plaster and flooring. Fairmead said there was also evidence of rising damp in the hall, kitchen and lounge.

Fairmead offered Mr and Mrs B a cash settlement in April 2021 for £10,500. Mr and Mrs B rejected this and requested that the contractors complete the works. The contractors began flooring work in May 2021, but Mr and Mrs B were concerned about the workmanship. Fairmead acknowledged that a gas pipe was damaged during the work but said this was fixed immediately and safety tested.

Fairmead explained about the work that had been carried out and provided an allowance of £150 per base unit and met Mr and Mrs B's quote for tiling. It said it paid Mr and Mrs B for replacement of the valves in their radiators and after some confusion about rehangs the radiators, Fairmead offered them £50 per radiator. In July 2021 Fairmead made a further offer of cash settlement for the kitchen in the sum of £3,700. It explained to Mr and Mrs B that this covered what its labour cost would have been and the materials and half the cost of the kitchen doors. Mr and Mrs B then submitted their kitchen quote for over £12,000.

Mr and Mrs B bought their new kitchen but Fairmead said it wasn't like for like and it wouldn't increase its offer. It said it would review the remaining parts of the claim such as increased electricity costs during the drying out. Mr and Mrs B complained to Fairmead about very poor service saying it had tried to restore unsanitary kitchen units and then made an inadequate offer for replacement. Mr and Mrs B said they had to stay at their relatives' house for two extra weeks due to uncompleted electrical work and should be paid a further allowance of £1,250. Fairmead said when the kitchen was installed the house was then habitable and it wouldn't make a further payment. It said payments were on a monthly, not four-weekly basis.

In respect of Mr and Mrs B's kitchen units, Fairmead said that items not damaged by the insured event that are part of a set or suite, would not be covered by the policy. It referred to page 33 of the policy booklet under section 14 General Exceptions, which states;

'9. Matching of items.

The costs of replacing any undamaged or unbroken item or parts of items forming part of a set, suite or other article of uniform nature, colour or design if damage occurs within a clearly identifiable area or to a specific part and it is not possible to match replacements.'

Despite this, Fairmead agreed to pay half the cost of the undamaged items to be replaced to allow a matching set of units to be installed. Fairmead apologised to Mr and Mrs B for providing 'a less than desired level of service' and paid them compensation of £350.

Mr and Mrs B were dissatisfied with Fairmead's response and referred their complaint to our service. They said they had no help finding alternative accommodation and had to arrange this themselves. And said the kitchen worktops had warped and needed to be replaced and other fittings were unsanitary. Mr and Mrs B said they had to collect their kitchen tiles and source a vanity unit as the contractors broke their one.

Our investigator didn't recommend the complaint be upheld. She thought Fairmead had offered the correct amount for the repairs and compensation fair its poor service. The investigator said there was no evidence that Fairmead agreed to pay Mr and Mrs B's alternative accommodation every four weeks, and she wouldn't recommend anything further.

Mr and Mrs B disagreed and requested an ombudsman review their complaint. They said Fairmead's workmen had damaged their carpet and should replace it. And Fairmead had agreed to pay the accommodation allowance every four weeks. They said Fairmead sent nothing in support of its offer for their kitchen and they couldn't have replaced it for the amount offered. They said their relatives should be compensated for their disruption.

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've looked carefully at the records of the claim and Mr and Mrs B's policy to see if they have been treated in accordance with the terms and fairly. However, we can only look into Fairmead's actions up to its final response to Mr and Mrs B's complaint on 1 December 2021. If Mr and Mrs B have any complaints about what took place after this, they will need to raise this with Fairmead first.

The parties disagree about the cause of the delay in completing the work of the claim. From the records the claim was slow to get going with the lack of available property at the time and Mr and Mrs B were unhappy with the suggested type of alternative accommodation put forward by Fairmead's relocation agents. The strip out work had to await their relocation and couldn't start until March 2021 with drying out completed the following month.

Mr and Mrs B consider their kitchen units to have been damaged by waste water 'beyond repair'. Mr and Mrs B said the kitchen cupboards were left in situ with work carrying on around them causing damage. Fairmead and its agents disagree and said the kitchen units weren't damaged and were capable of being restored to the kitchen.

When there is a dispute about whether damage has occurred, we have to rely on the available evidence. The only expert report is from Fairmead's loss adjusters. This states that the leak was located to the toilet and fixed, but effluent had travelled under the floor and so the damage spread. The report states that not all parts of the kitchen were damaged but that a contribution would be made towards replacement. From this it's not possible to conclude

that all of the kitchen was beyond economic repair and there does appear to have been fittings in the old kitchen that could have been re-used.

I've also seen photos, but I haven't seen images of damage. I don't think Fairmead's agents would have taken the trouble to remove and subsequently incur storage costs if they considered the units to be damaged beyond repair. From what I have seen I think Fairmead has made reasonable decisions about the damaged and undamaged units and the respective payments. I also think it was reasonable for Mr and Mrs B to take the opportunity of the kitchen's removal to install a new and better kitchen, but this doesn't make the cost a liability to Fairmead. Mr and Mrs B's policy, in common with other home insurance policies, provides them with indemnity for their damage or losses. This means they should be restored to their pre-loss position, but doesn't provide any cover for undamaged items.

Mr and Mrs B's policy also allows Fairmead to offer a cash settlement for their claim. If this is offered as an alternative to carrying out the repairs, we wouldn't ask Fairmead to pay more than it would have cost it to complete and – as I have said - only cover the cost of repairs for the damaged items. Fairmead has offered to cover the cost of the damaged units. The new kitchen Mr and Mrs B installed appears to be of a better quality than their previous kitchen. I can see that Fairmead's offer is based on the original kitchen and its replacement cost.

Most home insurers offer policyholders the option of taking out matching sets cover when the policy is taken out. Mr and Mrs B's policy does not include this cover which means that the cost of providing matching units for those which weren't damaged isn't a cost the policy requires Fairmead to pay. Notwithstanding this I'm pleased to see that Fairmead has offered to pay for half of the cost of undamaged items as I agree with Mr and Mrs B that no one would want a mixed match kitchen. I'm sorry to see that Mr and Mrs B borrowed money and incurred interest in paying for their new kitchen, but I think Fairmead's offer is reasonable as it is beyond what the policy requires it to do.

Fairmead has told us that no additional electricity costs have been paid to Mr and Mrs B, as they haven't responded to its requests for details. It still remains open to Mr and Mrs B to claim for excess energy bills incurred during the drying out process and they should contact Fairmead directly about this.

Mr and Mrs B said they had no help finding alternative accommodation and had to arrange this themselves. From the records, Mr and Mrs B found a rental which was agreed, but unfortunately this fell through, and they went into a hotel. Fairmead said its agents continued to search for accommodation, but nothing was suitable, and Mr and Mrs B rented a relative's property. I don't think Fairmead was to blame for the lack of alternative accommodation for Mr and Mrs B and a compromise arrangement was made, albeit after a delay.

Mr and Mrs B said Fairmead made a verbal agreement to pay an allowance for their alternative accommodation on a four-weekly basis. Fairmead has said this was agreed on a calendar month basis. I haven't seen anything to indicate that Fairmead agreed to pay every four weeks, though the initial hotel accommodation was agreed for four weeks. On 5 September 2021 Fairmead's loss adjusters emailed Mr and Mrs B and said, *'Insurers deal with this on a month-by-month basis and the standard approach is to make it payable on a per calendar month basis not 4 week as suggested.'* I have noted that Fairmead paid Mr and Mrs B £1,400 disturbance allowance whilst they stayed at the hotel.

The normal arrangement by an insurer would be payment per calendar month and I think that's what the arrangement was here, and so I don't think Fairmead needs to pay anything more. Mr and Mrs B said their relatives should also be compensated for their disruption, but it is outside of the remit of a complaint for us to consider the impact on third parties.

It is inherent within a large escape of water claim that there will be multiple parties involved and a degree of inconvenience and stress. Our role is to see if this has been caused unnecessarily by an insurer. In this case there have been delays and some poor communications by Fairmead. Their agents were working under covid restrictions, but I think they could have managed the claim more effectively. Fairmead has paid Mr and Mrs B £350 compensation for the stress and inconvenience it caused, and having considered what took place I think this is fair and consistent with other awards made in similar circumstances.

In conclusion, I do not expect Fairmead to pay further towards Mr and Mrs B's kitchen or more compensation, but I do expect it to meet all commitments if it hasn't already done so in terms of its offers towards costs, and these should be up to date costs.

My final decision

For the reasons I have given above it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B to accept or reject my decision before 26 May 2023.

Andrew Fraser
Ombudsman