

The complaint

Mr T is unhappy with the settlement amount HDI Global Speciality SE (HDI) has offered for his bathroom, after he needed to make a claim under his home insurance policy.

HDI appointed various representatives on its behalf. HDI accepts responsibility for these. Any reference to HDI also includes these representatives.

What happened

Mr T has explained that in April 2021 a leak was discovered underneath the shower tray in the main bathroom at his property. The leak caused some damage to the bathroom itself, including the shower and sink area, flooring and walls. In addition, a walk-in wardrobe and hallway were also damaged by the escape of water.

Because of the above damage, Mr T contacted his home insurer, HDI, to make a claim under his home insurance policy. HDI appointed a loss adjuster to validate the loss, and the claim was accepted. HDI also appointed a building contractor to compile a schedule of works – which it did. HDI accepted this schedule, and this contractor completed the necessary work to the hallway and wardrobe.

HDI's contractor didn't carry out the work to the bathroom. This was because Mr T wanted to use his own contractor to complete the work in this room. In August 2022 Mr T provided a quote from his own contractor. This was for labour, and some materials. But not for what Mr T noted as the fixture and fittings that were needed to complete the work – such as the floor tiles and wall tiles, or a bathroom suite. The cost noted by Mr T's contractor for the labour and materials was £8,150 plus VAT.

HDI said it was happy to agree for Mr T to use his own contractor, if the costs were comparable to what HDI's own contractor had quoted. And it later emailed Mr T noting it had no objection to Mr T going ahead with his own contractor, based on the estimate provided to it.

A while later, Mr T provided separate costings for the fixtures and fittings themselves. These costings coming to £8,244. HDI considered this to be excessive. It noted it would have been able to get all insured works to the bathroom carried out for £8,513.18 + VAT, as per its original schedule from its own contractors. So, it said it would only be willing to pay Mr T £8,513.18 + VAT, and no more.

Mr T didn't consider this to be fair. He thought the HDI's contractor's quote couldn't have allowed for all costs in relation to the bathroom. He thought the quote from HDI's own contractor was likely similar to his one – which didn't provide for the fixtures and fittings needed. HDI disagreed, and considered it could do all of the work, including supplying the necessary fixtures and fittings for the price noted above.

As Mr T was dissatisfied, he raised a complaint with HDI about the matter. In its final response letter, HDI said it was satisfied the settlement it had offered for the bathroom was fair. And it noted that some items Mr T had claimed for weren't covered by the policy, as they

weren't damaged by the escape of water. But HDI did accept there had been some delays in responding to Mr T about the bathroom work. So, it offered £250 compensation for this.

Mr T remained dissatisfied. So, he referred his complaint to this service for an independent review.

Our investigator considered this complaint and didn't think it should be upheld. They were satisfied the settlement offered by HDI was fair and reasonable, in line with the terms and conditions of the policy. Our investigator also considered the £250 compensation to be fair. So, they didn't recommend HDI do anything differently.

Mr T didn't agree. Whilst Mr T accepted that it might have been possible to reuse some of the original fixtures and fittings from the bathroom. But said this wasn't the case for most items – including the shower base and enclosure, wall units and tiles. Mr T reiterated that he didn't agree the settlement HDI provided was a fair reflection of the cost to repair the bathroom. And said he didn't receive a detailed breakdown of HDI's schedule of work until long after he'd made his complaint.

As Mr T didn't agree, this complaint has been referred 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 the £250 compensation offered to Mr T in respect of this complaint is fair and reasonable. And I don't require HDI to do anything more than this. I appreciate this will be disappointing to Mr T – it's clear he feels strongly about the matter. But I'd like to reassure the parties that I have considered all of the information supplied to me. I've explained my decision below – but only referred to that which I consider necessary to detail my reasoning.

When considering complaints such as this, I need to consider the relevant law, rules and industry guidelines. The relevant rules, set up by the Financial Conduct Authority, say that an insurer must deal with a claim promptly and fairly. So, I've thought about whether HDI acted in line with these requirements, when it agreed to settle the bathroom element of Mr T's claim, at £8,513.18 + VAT.

I've also reviewed the documents for Mr T's policy. I can see that under part three, which explains how HDI will settle claims, the following is detailed:

*“Where **your insurer** can offer repair or replacement through a preferred supplier, but then agree to pay a cash or cash alternative settlement, then payment will not be more than the amount they would have paid their preferred supplier.”*

Mr T selected to use his own contractors to complete the work to the bathroom. HDI had offered for its own contractors to do the work. As above, the policy is clear that if a policyholder chooses to use their own contractor, as opposed to the insurers, then the insurer will settle the claim based on what it would have cost the insurer to complete the work. That is usual in insurance policies of this nature. So, I don't find it to be unreasonable.

I'm also aware that whilst there were a number of conversations between Mr T and HDI about the work, including one email where HDI accepted Mr T's estimate for £8,150 + VAT. However, from looking at phone notes, I can see that HDI did make it clear to Mr T that the costs of the work should be comparable with HDI's own contractors. And when Mr T

submitted his estimate for the fixtures and fittings, HDI did explain why this wasn't acceptable to it.

HDI has said that it based its cash settlement on what it would have cost it, through its own contractors, to repair the damage, in line with the above. So, I've needed to think whether it has shown that to be the case.

And I think it has shown that. I appreciate Mr T doesn't feel that HDI's contractors would have been able to replace the damaged items in the bathroom for the cost it is saying it could. But HDI have provided this service with a costed schedule of works for the bathroom, detailing the work needed to repair the damaged areas of the bathroom, including materials needed to complete the work, such as floor tiles, wall tiles, replacement shower and cabinets. I have no reason to doubt the costs attached to this schedule are accurate. HDI, together with its contractor, would have benefited from favourable rates.

I know Mr T has said that when the schedule of works was compiled, he hadn't selected things like cabinets or tiles to replace the ones previously there. And that some of the damaged items weren't manufactured any longer. But an insurance settlement is based on the cost of like for like items – so HDI's costings would be based on a like for like replacement of what was already there, including for those things no longer manufactured. So, I don't think it needed Mr T's specific selections for the bathroom. It would have been able to cost up its liability based on the items that were previously in place.

Given the above, I'm satisfied HDI acted fairly in relation to the settlement of £8,513.18 + VAT it offered in relation to the covered, damaged items in the bathroom – it has settled the loss based on the policy terms.

HDI has said that further costs Mr T have submitted aren't for items damaged as part of the claim. Instead, they said there are additional items in Mr T has requested settlement for, that were undamaged, and were Mr T's choice to replace. In its final response letter, HDI said that if Mr T had elected to use HDI's contractors, he would have received a separate invoice for uninsured works, for those elements.

So, I've considered this too. I've reviewed the reports from various parties instructed by HDI, including the loss adjuster and contractor. As well as the detailed quotations from Mr T. And from doing so, I can see there appear to be a number of items within Mr T's quote, that don't appear to have been damaged by the leak. For example, such as a full new bathroom suite.

An insurance policy is generally only designed to cover items that are damaged as part of the loss. So, generally anything undamaged wouldn't be replaced as part of a claim. In this case, I can see there were a number of items HDI said it should have been possible to remove and refit – such as the majority of the bathroom suite (the exception being the damaged shower tray and the enclosure with it), so replacements for these items weren't required to put the damage right. If Mr T wanted to replace these items, that needed to be at his own cost.

I'm also aware that Mr T raised concerns about the length of time it took HDI to respond to him, in relation to a breakdown of the bathroom quote. HDI accepted this took too long and apologised for this. And it offered Mr T £250 compensation in relation to this. So, I've also considered this element of the complaint.

I also agree there were delays in responding to Mr T's emails about the settlement for the bathroom, and the breakdown of HDI's contractor's quote. I can see Mr T needed to chase HDI a number of times about this. And I can see how this would have been frustrating, and inconvenient. I am however satisfied that the £250 is a fair and reasonable payment of

compensation to recognise the impact the need to keep chasing the matter had on Mr T. So, if HDI hasn't paid this £250 to Mr T already, it should do so.

My final decision

Given the above, my final decision is that HDI Global Speciality SE (HDI) should pay Mr T the £250 compensation awarded in its final response letter of 18 August 2022, if it hasn't already done so. I don't require HDI Global Speciality SE (HDI) to do anything more than this.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 26 May 2023.

Rachel Woods
Ombudsman