

The complaint

Ms N complains about how U K Insurance Limited trading as NIG (UKI) handled and settled her claim on her home insurance policy.

What happened

Ms N is the leaseholder of a property that benefits from a home insurance policy that's underwritten by UKI. In February 2022 she made a claim after an escape of water from her kitchen sink which caused significant damage to the property.

UKI accepted the claim and agreed to let Ms N appoint her own builder and UKI would pay for the repairs. However it didn't agree to make payment upfront and instead asked Ms N to provide invoices as work was completed. Ms N didn't agree to this as she didn't have the funds to pay for the work before reimbursement, so UKI agreed to make a part payment of around £23,000 so she could start the work.

However Ms N was unhappy with how UKI had handled other elements of the claim. She said the loss adjuster had cut her out of communication with her builder which was unprofessional and created a conflict of interest. She also said she had managed to secure a discount on the new kitchen she required but this had expired due to the delay in UKI paying settlement which meant it was now more expensive. She also said that it took too long for UKI to make a decision about whether the flooring would be covered. And she was unhappy with the delays and poor service it had provided overall.

She made a complaint which UKI upheld. It agreed it had provided poor service at times, however it didn't offer any compensation or redress. It responded separately to address Ms N's points about the floor and the kitchen. It thought the settlement it had offered for the kitchen was fair and didn't agree to increase this based on the lost discount. And it agreed to cover the cost of the flooring as part of the buildings cover.

Unhappy with this, Ms N brought her complaint to this service.

Our investigator considered the issues and recommended Ms N's complaint be upheld. He thought it should pay the full cost owed for the kitchen at the non-discounted rate. He also thought it should pay £300 compensation for the poor service and delays. And it should pay the remaining settlement amount on receipt of the required evidence from Ms N.

However he didn't think UKI had acted unreasonably by paying the settlement on receipt of invoices, as it explained this is a requirement from the council who arranges the insurance policy.

Ms N didn't agree with our investigator's outcome. She responded and raised a number of issues, in summary she said:

- UKI should pay the full settlement upfront as the policy doesn't say this will only be released when invoices are received. She said UKI had changed its reasons for why it was unable to do this on numerous occasions and it hadn't been transparent.

- UKI's loss adjuster inappropriately interfered with Ms N's builder, including offering to pay him directly rather than making payment through Ms N which she said undermined her position with the builder.
- UKI's delays to agreeing to settle the flooring has led to the cost of the flooring increasing and meant Ms N had to raise a complaint through this service in order to get it addressed.
- The compensation offered doesn't recognise the distress the matter has caused Ms N.

UKI responded to say that it didn't agree it had caused unreasonable delays in the settlement of the kitchen, so didn't think it should pay the undiscounted cost.

As agreement hasn't been reached, the complaint has come 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.

Ms N has provided a lot of information in relation to this complaint. As this is an informal service, I won't respond to every point she has raised individually. Instead I've focussed on what I consider key to my outcome. However I want to reassure Ms N that I've read and considered everything she has submitted when reaching my decision.

Claim payment

I understand Ms N's frustration at how UKI has settled her claim. It was her preference to have payment upfront so that she could project manage the claim and arrange the work directly with her builder. And that isn't unreasonable.

However the policy that Ms N is a beneficiary for is provided by the freeholder – the council. And it is a requirement of the council that work is completed before payment is made. So UKI hasn't acted unreasonably by following the requirement of its policyholder.

Further, following concerns raised by Ms N UKI arranged payment based on a quote for the work, rather than an invoice showing it had been completed. And made an interim payment to Ms N so that work could commence. Considering the work was going to cost a significant amount of money, I agree this was fair in the circumstances. I therefore don't agree UKI has acted unreasonably in how it has paid the settlement of the claim.

Ms N has raised that since the quote for the work was put together, prices are likely to have increased. So she thinks costs should be reassessed at new market rates. However UKI issued the first claim settlement in May 2022 and it is unclear whether Ms N has had the initial work completed that this payment was for. It therefore wouldn't be fair to ask UKI to pay increased costs if Ms N has caused a delay by not having the first work carried out.

Further UKI has not had the opportunity to review any new quotes and validate them. I therefore think it reasonable that UKI pay the settlement at the cost of the original quote, on receipt of the required evidence from Ms N.

However if Ms N can show that cost of the remaining work has increased due to the delays caused by UKI, she should provide this evidence for it to consider. Should she be unhappy with UKI's decision on this, then she would be able to bring any further complaint for this

service to consider separately.

Kitchen

Ms N has said that she managed to secure a significant discount on a new kitchen, but because it took UKI some time to arrange settlement, she lost out on this as it was time limited.

UKI has said that Ms N didn't give it reasonable time to review, approve and pay the invoice, so it shouldn't be penalised for the discount expiring. However I don't agree. Ms N has explained the discount was originally available for 14 days after the quote, but this was extended to 28 days at her request. So while she may have provided the quote to UKI four days after it was obtained, this still allowed UKI ample time to validate it.

Further, I can see from the emails provided that Ms N made UKI aware of the time critical nature of the quote. And UKI confirmed to her that it would cover any difference should the discount be lost due to any delays. However it then proceeded to settle the claim at the discounted rate.

Based on this I don't think UKI has acted fairly in the settlement it's offered for the kitchen. It's clear that UKI were aware of the time limit on the discount and had previously agreed to make up the difference if it was missed. And I've not seen any reason for the delay to the settlement being paid. I therefore agree with our investigator that UKI should pay the total amount covered under the policy for the kitchen, at the non-discounted rate, less any amount that has already been paid. For avoidance of doubt, this should be 100% of the cost of the damaged units plus 50% of those that were undamaged, as previously agreed.

Flooring

When assessing the claim, UKI has said that it needed to determine whether the flooring was fixed in order to conclude if it would be covered under the policy as buildings, rather than contents. As the policy that covers Ms N's property is a buildings only policy, this is a necessary consideration.

However I agree this took UKI an unreasonable amount of time to determine. Especially considering Ms N's comments that this was concluded as being covered under buildings by its loss adjuster in one of the first visits. So I agree UKI caused a delay that could have been avoided here. I've also considered what Ms N has said about the impact this has had on her – she's had to continually chase UKI and has only received a claim decision since the matter came to this service. I agree this will have caused her some distress and inconvenience and I've considered this when deciding appropriate compensation.

Service

I can see this claim has caused Ms N some considerable distress. UKI has taken a long time to make decisions on the claim and both it and its loss adjuster have done a poor job of keeping her informed about the progress of the claim. As it was Ms N's wish that she appointed her own builders, so that she could project manage the claim, this would have been particularly frustrating and distressing.

And while I understand why UKI's loss adjuster opted to speak to Ms N's builder directly, this left her uninformed and caused Ms N to feel that her builder was being unduly influenced which would have been distressing.

Further, while UKI has paid part of the claim upfront so that Ms N could start the works, it

took a long time for it to reach this decision and make payment. This put additional pressure on Ms N and meant that she had to keep chasing UKI for a decision on items such as the kitchen and flooring.

Based on this, I agree with our investigator's recommendation that UKI pay £300 compensation to apologise for the distress and inconvenience it caused. As this is in line with our approach to complaints of a similar nature.

My final decision

For the reasons I've given, I uphold Ms N's complaint and direct U K Insurance Limited trading as NIG to:

- Pay Ms N the cost of the kitchen at the full price of the quote with the discount removed. This should be based on 100% of the cost of the damaged units and 50% of those that are undamaged, less any amount already paid.
- Pay Ms N the remaining part of the settlement, including the cost of replacement flooring, on receipt of the required evidence from Ms N.
- Pay Ms N £300 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms N to accept or reject my decision before 15 August 2023.

Sophie Goodyear
Ombudsman