

The complaint

Mr and Mrs B are unhappy with the repairs carried out by QIC Europe Ltd to settle a claim they made under their home insurance policy.

Mrs B has primarily dealt with the claim, so I'll refer to her only for ease of reading.

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.

As the circumstances aren't in dispute, I'll summarise the main points:

- QIC accepted a claim for damage to the driveway caused by a leaking underground pipe. To repair the leaking pipe, access holes were made through the driveway. The holes were temporarily repaired and QIC accepts a permanent repair is required. It also accepts a section of the block paving has dropped and needs to be replaced.
- QIC offered to settle the claim by paying for a patch repair to the damaged areas. Mrs B thought the entire driveway should be replaced and provided quotes for that scope of work. QIC said its policy only covered the damaged sections of the driveway. But it was nonetheless prepared to offer 50% toward the full replacement cost to settle the claim.
- Mrs B said she couldn't find a contractor willing to carry out a partial repair – they would only replace the driveway in full. And QIC's offer meant she would be left with a shortfall if she did that.
- Our investigator thought the complaint should be upheld. She said QIC should provide a settlement that indemnifies Mrs B and provides her with a lasting and effective repair of the damage. She thought the evidence showed that the only way to achieve this was for QIC to replace the driveway in full and asked it to pay the associated cost.
- Mrs B agreed with this. QIC didn't. In summary, it said:
 - The holes were confined to one area of the driveway.
 - Replacing the entire driveway would amount to betterment. It offered 50% to ensure Mrs B wouldn't be left with a driveway that had patch repairs visible.
 - The damaged areas amount to less than 50% of the driveway, so the offer includes a contribution to undamaged areas – which goes beyond what the policy terms require QIC to do.
- Both parties agree a permanent repair is required to put right the damage caused by the access holes. This dispute centres on how to settle the claim for that permanent repair fairly.

- The policy covers damage to the driveway. Taken literally, that means QIC only needs to carry out a patch repair to the holes.
- But there are two relevant and longstanding principles to take into account here. The first is that the aim of the policy is to indemnify the policyholder. An insurer can do this by putting the policyholder back in the position they were in immediately prior to the damage. The second is the fair and reasonable expectation that any repair carried out to insured damage should be lasting and effective. That means properly putting right the damage for a reasonable amount of time.
- In this case, QIC originally suggested a patch repair involving hot rolled tarmac but accepted it wouldn't provide a long term resolution as it may split from the original tarmac at the boundary between the two. I understand it hasn't offered any other repair options. So by its own admission, it hasn't offered a lasting and effective repair. And it recognises a patch repair is likely to be unsightly. That means a patch repair isn't a reasonable way of settling the claim.
- Mrs B has provided quotes and comments from three contractors. One said the driveway had become "unrepairable" as a result of the temporary repairs and the impact of the water leak. Another said it wouldn't be able to guarantee a patch repair as the entire driveway needed replacing. Both quoted for full replacement, as did the third, although they didn't add any narrative. There's no dispute that full replacement is likely to provide a lasting and effective repair.
- As I understand it, QIC has offered 50% towards one of the quotes on the basis that less than 50% of the driveway is damaged. And replacing half the driveway would avoid patch repairs, which are unlikely to be lasting and are likely to be unsightly.
- I agree that replacing a larger area is likely to be more visually appealing than patch repairs. However, this will still create some kind of boundary between old and new driveway and that's likely to face similar problems bonding in the long term. And I note the contractors' were clear that only a full replacement would likely be successful. So I'm not satisfied only replacing a larger area is likely to be effective and lasting. And I'm not aware that QIC or any other contractor is prepared to carry out this work for Mrs B. So I don't think this is a reasonable way of settling the claim.
- That means the only option available to Mrs B that's likely to be lasting and effective is a full replacement. QIC hasn't offered her enough money to have that work carried out, which means she can't be indemnified. As a result, I'm not persuaded QIC has offered to settle the claim fairly.
- QIC has placed a lot of emphasis on the limitations of its policy and its view that replacing the driveway in full would amount to 'betterment'. As our investigator explained, the simple fact is that we expect QIC to carry out a lasting and effective repair of the insured damage. If the only way to do that is to carry out work to undamaged areas, by replacing the driveway in full, then that is the fair and reasonable thing to do in the circumstances of this case.
- To put things right, QIC should pay the cost to replace the driveway in full. The remaining terms and conditions of the policy apply, such as the excess.

My final decision

I uphold this complaint.

I require QIC Europe Ltd to pay the cost to replace the driveway in full.

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 28 June 2023.

James Neville
Ombudsman