

The complaint

Mrs L complains about QIC Europe Ltd's handling of her home insurance (buildings) claim.

QIC is the underwriter of this policy i.e. the insurer. Part of this complaint concerns the actions of its agents. As QIC has accepted it is accountable for the actions of the agents, in my decision, any reference to QIC includes the actions of the agents.

What happened

In mid-2022, Mrs L made a claim under her home insurance policy with QIC after her property was damaged by wildfire. The fire destroyed several outbuildings and there was severe damage to her garden.

QIC offered Mrs L a cash settlement, based on a scope of works completed by its surveyor. It shared the scope of works with Mrs L but wouldn't agree to share a breakdown of claims costs with her.

Mrs L declined the cash settlement offer. She didn't think it was enough to cover the cost of local tradesmen or materials. She raised several queries about what was included in the scope of works and the policy limits.

Mrs L then made a formal complaint about the handling of her claim. She felt QIC's communication with her was inadequate. She thought the scope of works was unclear. She said it wasn't sufficient to support QIC's cash settlement offer and allow transparency for her to instruct contractors and claim back VAT. She also complained that QIC appeared to have incorrectly included the removal of trees and plants in the £2,500 policy limit for loss or damage to plants, trees, flowers and shrubs.

QIC said it used industry wide software to calculate the cost of repair using independently researched labour and materials costs. It said it doesn't provide a breakdown of costs as this is commercially sensitive information. However, if Mrs L was to present the scope to a contractor, they would be able to ascertain what was included and provide her with their own quote.

QIC said the scope of works included the cost of a skip for the removal of the debris. Therefore, the debris costs had been added in addition to the £2,500 policy limit. Mrs L remained unhappy and asked our service to consider her concerns.

I issued a provisional decision on 22 May 2023 where I explained why I intended to uphold Mrs L's complaint. In that decision I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint."

*Based on what I've seen so far, I intend to uphold Mrs L's complaint. I'll explain why.
Removal of garden debris*

The policy terms say:

“Following a successful claim for loss or damage under Section 1 – Buildings, we will pay:

- a. The cost to remove debris from the site or prop up parts of the buildings;...”*

And “plants, trees, flowers and shrubs not in moveable pots or containers” is included in QIC’s definition of “buildings”.

As Mrs L’s claim was successful, I’m satisfied that QIC is required to pay the cost of removing debris from the site. This would include trees, plants and hedges damaged by the fire.

However, Mrs L says the cost of clearing and removing trees and hedges that were destroyed in the fire aren’t sufficiently accounted for in QIC’s scope of works. She’s queried the £2,500 policy limit to “remove, supply and install replacement conifer trees” on the scope. Mrs L says there will be a substantial cost for removing dead trees and hedges, disposal and ground levelling, which would probably involve a digger and skip hire. Mrs L says these shouldn’t be included in the £2,500 policy limit as they are clear-up costs and not reinstatement works.

QIC has given conflicting information regarding the inclusion of removing garden debris in the £2,500 policy limit.

A letter from the surveyor dated 7 October 2022 says: “I can confirm that the policy limit for Trees and plants includes the removal of the item(s)”.

However, QIC’s final response letter dated 10 November 2022 says: “I am also of the opinion that the costs of debris removal and the policy limit for the trees are two separate entries on the scope”. This letter also refers to a cost for a skip, which it seems to imply is for the garden debris.

Mrs L has pointed out that the surveyor said a skip had been added for removal of buildings debris. I can see this is what he said in a message to Mrs L on 27 September 2022. This seems to suggest the skip was for debris from the destroyed outbuildings.

When Mrs L queried if QIC would pay for a digger hire on 28 September, QIC said: “I won’t be paying for digger hire as this is not included in the scope of works.”

So, based on what I’ve seen, I don’t think QIC has made any provision for the cost of clearing garden debris in the scope of works, beyond any cost that might fall into the £2,500 policy limit.

The policy terms say:

“The amounts shown below are the most we will pay for the following items for any loss or damage which happens at your property...”

- ii Plants, trees, flowers and shrubs not in movable pots or containers – up to £2,500...”*

Given the above, I’m not persuaded that it was fair for QIC to have included the removal of garden debris in the £2,500 limit. This limit only seems to apply to the cost of replacing the lost or damaged items. If QIC’s intention was to include the removal of these items within the policy limit, I don’t think it’s made this clear in the policy terms. Where policy terms are ambiguous or unclear, we’d say it’s fair for them to be interpreted in the favour of the consumer. So, QIC should include the full cost of removing garden debris in the scope of works.

Cash settlement offer

The terms of the policy say:

“When settling your claim, if we decide that we can offer rebuilding work, repairs or replacements, we will ask you to choose one of the following options.

- a. We will choose a contractor (our preferred contractor) and instruct them to carry out the rebuilding work, repairs or replacements.*
- b. We will pay you a cash settlement for the same amount it would have cost us to use our preferred contractor.”*

If we cannot offer rebuilding work, repairs or replacements (as defined by us) through our preferred contractor, we will pay you:

- a. fair and reasonable costs to have the work carried out by your chosen supplier; or*
- b. the amount by which the buildings have gone down in value as a result of the damage; whichever is lower.”*

In a message sent on 5 October 2022 QIC told Mrs L: “The cash settlement is what it would cost us to get the job done and this is what is clearly stated in your policy wording...”

However, QIC says it offered Mrs L a cash settlement because it was unable to instruct a contractor due to the construction of the outbuildings. So, it appears to have been QIC’s decision to offer a cash settlement, rather than it being Mrs L’s choice. This means that QIC isn’t entitled to limit its cash settlement to the amount it would have cost it to use its own contractors to carry out the work.

QIC says it used industry wide software to calculate the cost of repair using independently researched labour and materials costs. It says its contractor has confirmed that works can be completed to this value. However, it’s unclear if the estimate is based on the likely cost to QIC if it was to use its network of approved contractors or if it’s based on the market rate Mrs L might pay for engaging her own contractors.

The rates an insurer pays its approved contractors tend to be below market rates. If the cash settlement has been calculated based on the cost to QIC, rather than the market rate, it’s unlikely to be sufficient to indemnify Mrs L for her loss.

QIC says it is willing to discuss quotes Mrs L provided in January 2023 after they were passed on to it by our investigator. However, it didn’t previously suggest Mrs L obtain her own quotes or indicate that it would be willing to consider them.

The quotes Mrs L has obtained don’t appear to cover the whole scope of works. So, I think QIC should make a revised settlement offer once Mrs L has had the opportunity to obtain further quotes to demonstrate what it would cost her to complete the reinstatement works. The cash settlement should be enough to cover fair and reasonable costs to have the work carried out by Mrs L’s chosen suppliers, in line with the terms of the policy.

Communication

The relevant industry rules require QIC to provide reasonable guidance to help a policyholder make a claim and appropriate information on its progress.

Mrs L says QIC's communication with her has been inadequate. She's commented on terminology it's used, which she believes is designed to confuse claimants. She says responses to her questions have been vague.

In its response to her complaint, QIC said it considered its portal to be an acceptable method of communication, but it could be disabled if Mrs L wished to use alternative methods. It apologised that some of the terminology was confusing.

However, Mrs L says she's happy with the portal as a method of communication. Her main concern is that the questions she raised were not answered or explained.

Having reviewed the portal messages and letters, I agree that QIC's communication wasn't as clear as it should have been. I've already mentioned the conflicting information it gave regarding the inclusion of removing garden debris in the policy limit for trees etc. This has resulted in frustration and inconvenience for Mrs L, who contacted QIC several times in an attempt to get clarification.

It also gave her the wrong information about what she was entitled to under the terms of the policy. And it didn't suggest Mrs L provide estimates to show the costs of using her own suppliers. So, I don't think QIC has done enough to help Mrs L with her claim.

In conclusion

Based on what I've seen so far, I don't think QIC's cash settlement offer is fair. It hasn't made an appropriate allowance for the costs of removing the garden debris. And its calculation seems to be based on the likely cost to QIC if it had arranged for the work to have been carried out, rather than the likely cost to Mrs L.

Overall, I think QIC's handling of Mrs L's claim and its communication with her has been poor. Her concerns about QIC's settlement offer prevented Mrs L from being able to get the work carried out. This was frustrating and upsetting for Mrs L who says she's been unable to go outside as her garden is so severely damaged. So, I intend to award Mrs L £500 to compensate her for the distress and inconvenience she's experienced."

I set out what I intended to direct QIC to do to put things right. And I gave both parties the opportunity to send me any further information or comments they wanted me to consider before I issued my final decision.

Responses

QIC apologised for implying the skip hire was for the removal of plants and trees. It said the scope includes a skip hire which is for the removal of all of the building debris, in addition to the £2,500 limit for the removal of the garden debris. It said it doesn't include digger hire, as it is satisfied it could be performed by hand.

QIC said the removal of the trees and garden debris falls within the scope of the £2,500 limit and it would not cover anything involving the removal that falls beyond this limit.

QIC said it was satisfied that the removal of all debris had been included in the scope of works but it had considered Mrs L's concerns with regards to the labour for removal of debris. Whilst it didn't believe that a digger was required, it would be willing to consider further labour costs.

QIC said that whilst it was determined that the previous structures would be considered non-standard these days, it would be willing to instruct a regional surveyor and contractor to

discuss alternative options with Mrs L. It said, if we could put this option to Mrs L, it could arrange for a visit to take place. It said this would negate the dispute with the labour costs, as the contractors would look to include all work within the scope if it was determined that a replacement was available.

We passed QIC's comments on to Mrs L so she could consider them with my provisional decision.

Mrs L said she agreed with what I'd said in my provisional decision and thought what I'd proposed seemed fair and reasonable. She said she didn't think she'd be able to find a contractor willing to dig out 60m of mature but dead 8ft high hedge and other garden trees by hand. She said this would be extremely time consuming and the labour costs would far outweigh the costs of a digger.

Mrs L said she had no confidence in QIC's surveyors and was concerned that taking up QIC's proposal to discuss alternative options would mean restarting the claims process. She was also concerned about further dealings with QIC's team given the poor customer service and communication she'd experienced. She said it had been impossible to live without some garden storage, so she'd already purchased a small garden shed to replace one of those lost.

Mrs L said the only offer now should be an increased settlement.

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.

In my provisional decision, I explained why I didn't think it was fair for QIC to include the removal of garden debris in the £2,500 limit. QIC disagrees with this, but it hasn't said why. So, I'm not persuaded to change my conclusion on this. QIC may only apply the £2,500 cap to the cost of replacing plants, trees, flowers and shrubs. It shouldn't include the cost of removing garden debris in this limit.

QIC says it doesn't think a digger is necessary for removing the garden debris, but I haven't seen evidence to show me that it would be more cost effective to get the work done by hand. In my provisional decision I said I thought QIC should make a revised settlement offer once Mrs L has had the opportunity to obtain further quotes to demonstrate what it would cost her to complete the reinstatement works. Mrs L believes she would have difficulty finding a contractor to do the work without the use of a digger. So, I think it would be fair for QIC to cover Mrs L's fair and reasonable costs of having the work carried out by her chosen suppliers, regardless of whether this includes the use of a digger.

I think Mrs L's concerns about QIC potentially carrying out the work itself at this stage are understandable. QIC had the opportunity to carry out rebuilding work, repairs or replacements using its preferred contractors, but it chose to make a cash settlement. I don't think it would be fair to expect Mrs L to give QIC a further opportunity to consider using its preferred contractors now. I think the best way to resolve matters for Mrs L would be for QIC to put things right in the way I set out in my provisional decision.

Putting things right

QIC should:

- Make Mrs L a fair cash settlement offer, in line with the terms of the policy. This should reflect fair and reasonable costs, so that Mrs L can get the work done by her chosen contractors. Fair and reasonable costs being a settlement based on market rates for the work to be done, as opposed to any discounted rate QIC may have received using its preferred contractors. The settlement should include an amount to cover the cost of removing garden debris, outside of the policy limit for loss or damage to plants, trees, flowers and shrubs.
- Pay Mrs L £500 for distress and inconvenience.

My final decision

For the reasons I've explained, I uphold Mrs L's complaint and direct QIC Europe Ltd to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 30 June 2023.

Anne Muscroft
Ombudsman