

The complaint

Mrs and Mr D are unhappy with the amount Royal & Sun Alliance Insurance plc (RSA) offered to settle their claim for an escape of water.

They had a buildings and contents insurance policy with RSA in joint names but, for ease of reading and because she dealt with the complaint, I'll refer only to Mrs D throughout my decision.

What happened

Mrs D claimed under her policy after her en-suite shower leaked, causing additional damage to the ceiling of the room below. RSA accepted the claim and scoped for the work needed to repair the damage.

The damage caused is not in dispute, so I won't go into detail here.

Mrs D's plumber provided two quotes for the repairs. Because she preferred to use her own plumber, RSA confirmed a cash settlement offer of £2,200. Mrs D's plumber quoted £3,600. Both figures are rounded for simplicity.

Because RSA's cash offer was much lower than her plumber's quote, Mrs D complained. She thought RSA hadn't quoted for work to current building standards.

RSA looked into Mrs D's concerns, and it was several weeks before it issued its final response on the matter. During that time, Mrs D contacted RSA to push the claim forward and to explain that she needed her shower for medical reasons.

RSA's final response to Mrs D was that its offer was in line with the policy, so she brought her complaint to us.

Our investigator thought RSA had handled the claim in line with the policy, although they recommended £250 compensation for the distress and inconvenience caused by RSA's delays handling the claim.

RSA didn't agree that compensation was warranted because it had offered the cash settlement promptly and the delays resulted from Mrs D disputing the amount.

First provisional decision

I issued my first provisional decision in May 2023 explaining that I was intending to partially uphold Mrs D's complaint.

In summary, I said RSA had offered a fair cash settlement in line with the policy. That was because Mrs D chose to use her own plumber, so RSA was entitled to settle at the amount it would've cost using its own suppliers. However, RSA did offer to pay for all four walls to be tiled which was more than I would've required. For the service shortfalls identified, I thought compensation of £100 was more appropriate.

Mrs D had some concerns that the policy didn't require RSA to cover the cost of complying with building regulations. But the policy only said it wouldn't cover the cost of complying with building regulations if it was something Mrs D already knew about before the escape of water.

I said I was intending to:

- *require RSA to pay £100 by way of apology for its delay responding to Mrs D's request for an increased settlement amount.*

RSA accepted my provisional decision, but Mrs D didn't think it was fair because she hadn't preferred to use her own plumber. She said RSA hadn't offered to complete the work, so she had to make her own arrangements.

I asked RSA to provide evidence that it offered to do the work for Mrs D. It provided me with information obtained from its contractor, and said Mrs D was always going to use her own plumber. RSA also said the policy places responsibility on her to ask it to carry out the work, which she didn't do.

Second provisional decision

In light of the comments from Mrs D, and the additional evidence RSA provided, I reconsidered the complaint. I issued my second provisional decision in June 2023 saying I was intending to uphold Mrs D's complaint. Here's what I said:

Policy

RSA said the policy places responsibility on Mrs D to ask it to do the work.

Page 12 of the policy booklet, under the heading Preferred Suppliers, says:

Our philosophy is to repair or replace lost or damaged property, where we consider it appropriate, and we have developed a network of contractors, repairers and product suppliers dedicated to providing claim solutions. Where we can offer repair or replacement through a preferred supplier but we agree to pay our customer a cash settlement, then payment will normally not exceed the amount we would have paid our preferred supplier.

Page 19 of the policy booklet, under the heading How We Settle Claims, says:

1 d. Where we can offer repair or replacement through a preferred supplier, but instead you request and we agree to pay a cash settlement, then the amount will not normally exceed what we would have paid our preferred supplier. (The emphasis is mine.)

These two sections of the policy indicate to me that Mrs D could've reasonably expected RSA to offer to do the work, and it was not her responsibility to ask for its services. Rather it was up to Mrs D to specifically request a cash settlement if that's what she preferred.

When I asked RSA for evidence that it offered its service to Mrs D, it provided me with a copy of emails between it and its contractors. The contractor clearly stated that it did not offer to complete the work:

[Contractor] never offered the customer the use of [its service] as an option. The customer had quotes and accepted a cash settlement from our initial survey. At no point did [the contractor] offer the customer the use of the [repair service]

Further to this, RSA's notes for a call with Mrs D on 19 January 2022 say:

[RSA] advised [it] will book [contractor] to attend (sic) to validate the damage once they have validated and confirmed cover they will look to make a cash settlement [RSA] confirmed that [contractor] do not complete any works and [Mrs D] will have to employ their own contractor

Based on the new evidence, I'm minded to agree with Mrs D that RSA didn't offer to complete the work for her. That means RSA shouldn't have relied on the policy condition which allows it to offer its own costs to repair rather than the cost to Mrs D.

With that in mind, I've looked at the quotes Mrs D sent in. In her first quote, which included tiling four walls, replacing the shower tray and enclosure, and fitting a new fan in the loft space, the total is £4,560.

RSA already offered to pay for all four walls, so that cost is fair. But the replacement shower enclosure, tray and fan are all betterment. That is, they weren't affected by the leak so I can't reasonably say they needed replacing. The cost for those three items on Mrs D's quote was £1,010, which I've deducted from the total, leaving an outstanding amount of £3,550. This is the amount I think RSA is responsible for because it didn't offer to complete the repairs.

In light of the failure to handle the claim in the way it should've done, and because it based its offer on a policy condition which didn't apply, I'm minded to increase the compensation back to £250.

I said I was intending to uphold the complaint and require RSA to:

- pay Mr and Mrs D the cash settlement of £3,550 (less any policy excess or settlement payment already made), and*
- pay £250 compensation for the delays, inconvenience caused, and the mistake it made in relying on a policy condition inappropriately.*

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Mrs D had nothing further to add.

RSA accepted my second provisional decision.

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.

Because neither party had any further comment to make, my second provisional decision becomes my final decision and for the same reasons.

My final decision

For the reasons I've explained above, and in my second provisional decision, I uphold Mr and Mrs D's complaint and Royal & Sun Alliance Insurance plc must:

- pay Mr and Mrs D the cash settlement of £3,550 (less any policy excess or settlement payment already made), and
- pay £250 compensation for the delays, inconvenience caused, and the mistake it made in relying on a policy condition inappropriately.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D and Mr D to accept or reject my decision before 31 July 2023.

Debra Vaughan
Ombudsman