

The complaint

Mr and Mrs D complain that their home insurer, UK Insurance Limited (UKI), didn't deal with their claim for damage by an escape of water correctly. References to UKI include its agents.

What happened

I set out the background to the complaint within my provisional decision and also here.

'Mr and Mrs D's home was damaged by an escape of water in July 2021. UKI appointed loss adjusters to manage the claim (in September 2021). Mr and Mrs D said they requested UKI not to appoint the particular loss adjusters due to a potential conflict of interest.

Mr and Mrs D complained to UKI about a general lack of care, poor communications, and a lack of respect and understanding of their situation and said they were forced to remove social media posts. They said they suffered loss of use of their home and UKI relied on up-to-date policy wording that they hadn't been provided with. And said they should have put their first complaint to us within the time limit and before UKI made promises to them.

In their second complaint Mr and Mrs D challenged UKI's decisions, similarly to their first complaint. They said UKI told them their home wasn't damp and was fit to live in, but the mould wasn't cleaned off the walls until March 2022. They said they were constantly asked to provide costs, but nothing was done about their alternative accommodation until the last minute, and was only allowed from 1 April to 22 April 2022, whilst the dryers were on.

Mr and Mrs D said the only report they received was incorrectly interpreted, with nothing costed to explain the cash settlement. They said UKI ignored warranty information from their kitchen provider on colour match and supply of new carcasses. And their home was left in poor condition in March 2022 despite assurances. They said worktops were left propped up and carcasses removed and damaged. But said UKI told them this was just their opinion.

Mr and Mrs D said they have suffered ill health and stress as a consequence of the poor claims handling and are out of pocket for food and heating. They said they have endured dust, dirt, damp, and mould, and not offered correct replacement costs for written-off electrical appliances, and a lack of electricity in their conservatory since October 2021.

Mr and Mrs D said the 'enforced cash settlement' doesn't cover full reinstatement of their home and UKI is relying on a quote without a colour match. Mr and Mrs D want a settlement for reinstatement without doing the work themselves or having to borrow to pay for a new kitchen. They also want an apology from UKI and a payment for the loss of use of their home, and alternative accommodation from the start of the claim.

UKI replied in July 2022 to say the cash offer had been addressed before and replacement of the kitchen wasn't covered, but damaged units, electrical work and usage, and cleaning costs were. It said the contractor finished cleaning and drying and left the property in a clean state. UKI said it wouldn't price up repairs as this is business sensitive information. UKI said contractors had longer lead times, but as the claim was cash settled it's up to Mr and Mrs D to manage the work. It said their contents could stay in storage until September 2022.

UKI said if additional work was needed this can be reviewed if supported by a detailed report with estimates, but would make a further payment for the washing machine and cooker. UKI emailed the policy booklet to Mr and Mrs D referring to the term relevant to the settlement. UKI said it had requested photos of the blinds to show they require cleaning and quotes, but it wouldn't pay to clean the mould in the conservatory as this developed prior to the claim.

Mr and Mrs D were dissatisfied with this and referred their complaint to us. Our Investigator said we can't look at time-barred complaints or events after July 2022 when UKI responded. She said UKI didn't treat Mr and Mrs D fairly and recommended replacement of the kitchen rather than restoration, and an increase of the cash settlement in line with Mr and Mrs D's costs and payment of half the cost of the undamaged parts. She said UKI should consider any new evidence to show the blinds and curtains need replacing, and for further electrical works in the conservatory. She said UKI should pay Mr and Mrs D further compensation of £200 for the distress and inconvenience when the contractor had to commence drying again.

UKI disagreed saying Mr and Mrs D held up the drying by continually switching machines off. It said its contractor showed Mr and Mrs D the back wall was dry, when they had said it was saturated. The next contractor found moisture, but UKI said it was difficult to prove if this was from an insured peril or not. It said the salts analysis found nitrates that suggested moisture was wicking up from the ground – and so there was pre-existing damp. But due to Mr and Mrs D's concerns, it appointed a firm to assist, including with the mould on the units though this was noted on the first visit. UKI requested that an ombudsman review the complaint.

Mr and Mrs D also disagreed with the investigator. They said the loss of amenity value of their home hadn't been considered or their inconvenience and health from the damp by conditions not rectified for almost 10 months.'

My provisional findings and the parties' responses

In my provisional decision I said we could consider UKI's response to Mr and Mrs D's complaint from July 2022 from the date of UKI's previous response in October 2021.

I said that I intended to uphold the complaint and require UKI to pay for the replacement of Mr and Mrs D's kitchen as opposed to restoration, and half of the cost of the replacement of undamaged parts. Payment to be based on evidence of costs incurred by Mr and Mrs D and relevant to the kitchen and associated costs. I said Mr and Mrs D must provide reports in support of any additional costs they wish to claim, and these should be considered by UKI.

I also intended to award Mr and Mrs D £400 compensation for the inconvenience and distress they have been caused by UKI's poor handling of their claim and their diminished use of their home. This to be inclusive of the £200 award recommended by the investigator.

Mr and Mrs D disagreed with my provisional findings. They said I hadn't taken account of the lack of amenity of their home. They understood the disruption of a claim, but Mrs D's health condition was exacerbated by the conditions, and she only recovered when they moved out, but was unwell again when they returned to the dusty conditions. They said their home had no damp before the escape of water, but the drying contractor found high humidity levels. Mr and Mrs D said they provided quotations and invoices which were almost double the cash settlement, but UKI hadn't been open and transparent. They said the cost of materials and labour have increased by at least 40%. They said UKI made no provision for the plumbing, plastering or installing a new kitchen, replacement blinds and a thorough clean. They said reimbursement for the oven and washing machine was only paid when they returned home after they had been expected to use the appliances in dangerous condition.

Mr and Mrs D asked why they were told to source alternative accommodation if it wasn't warranted. They said £400 compensation for stress, lack of amenity value of our home and poor service is a bit of an insult. They said the hall stairs and landing still require redecorating as does their kitchen and some more units to be restored.

Mr and Mrs D want a full breakdown of UKI's offer of settlement in order for them to agree it, which hasn't been possible due to UKI or its agents not entering into any discussions.

UKI had nothing further to add.

In my provisional decision I said Mr and Mrs D suffered disruption, which was exacerbated by the flawed drying out process for around three months and the property was found still to be wet. The repairs didn't start until March 2022 and Mr and Mrs D moved out for most of April 2022. UKI said Mr and Mrs D also caused delays by continually switching off the drying machines, but Mrs D said the machines were very noisy and disruptive so I thought this understandable, albeit this would have caused some delay to the drying out of their home.

UKI paid Mr and Mrs D compensation for delay for their previous complaint. I thought UKI was responsible for most of the delay claim during the period of the present complaint. I said it was UKI's decision to offer a cash settlement rather than provide its contractors to do the work and its offer wasn't presented with the alternative Mr and Mrs D wanted - UKI's contractors carrying out the restoration.

Our approach is that where an insurer requires the claim to be cash settled, it must do so on the consumer's costs not its own. And to indemnify Mr and Mrs D for their losses UKI's offer should meet their reasonable costs for the replacement of a kitchen rather than restoration. The works paid for by UKI need not extend beyond those set out within its scope of work. Mr and Mrs D must provide reports in support of any additional costs which they wish to claim.

I didn't think UKI's scope for the kitchen including restoration costs, with some units to be reused and other units to be replaced and sprayed, was fair. There can be no guarantee of a colour match, and Mr and Mrs D would forfeit their warranty from the kitchen provider. This wouldn't put Mr and Mrs D back in pre-loss condition and so it's understandable that they wanted to get on and replace their kitchen. I thought it would be fair for UKI to increase the cash settlement to Mr and Mrs D to pay for the replacement of the damaged kitchen items.

In line with our normal approach I thought it fair for UKI to pay half the replacement cost of the undamaged parts of the kitchen so that the replacements match. And for UKI to meet Mr and Mrs D's costs for their scope of work. UKI's scope includes cleaning all areas which should deal with remaining issues.

It appeared that suitable alternative accommodation was difficult to source, but the report about the property indicated that it was not strictly required, and I didn't find that the duration unreasonable. UKI has paid the cost of the additional electricity usage and agreed additional time for the storage of Mr and Mrs D's contents and later in the claim, paid for Mr and Mrs D's appliances. I thought this was reasonable and fair in the circumstances. Mrs D's doctor wrote about the health impact of their living at home during much of the restoration work, but didn't say what was behind this or if her treatment was changed. UKI's contractors carried out air and swab tests with results at levels of no risk to health. I have also seen expert evidence that Mr and Mrs D's home had mould before their claim was made although I thought this would have been prolonged by the delay in drying out.

Our investigator recommended £200 compensation for the inconvenience of the contractor having to recommence drying. But I thought it was more than just the discovery of wetness

that impacted Mr and Mrs D's claim, there was a delay from November 2021 until April 2022 when Mr and Mrs D went to alternative accommodation. I also thought that Mr and Mrs D's suggestions and proposals were unfairly declined. Taking this and the loss of normal use of their house into consideration I was minded to award them total compensation of £400.

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.

I have thought again about all of the problems and disagreements that arose during Mr and Mrs D's claim so that I can reach a fair and reasonable outcome to their complaint. Having done and considered Mr and Mrs D's response, I remain of the view that the complaint should be resolved as outlined in my provisional decision.

In order to indemnify Mr and Mrs D for their losses UKI should meet their reasonable costs for the replacement of a kitchen rather than restoration I remain of the view that this should include installation, and half of the cost of the replacement of undamaged parts so that they match. Because Mr and Mrs D replaced their kitchen, it is their responsibility to provide UKI with the information it needs to pay their claim, namely evidence of costs incurred relevant to the kitchen and its thorough cleaning.

Mr and Mrs D said UKI made no provision for the plumbing, plastering or replacement blinds. They said the hall stairs and landing still require redecorating as does their kitchen and some more units to be restored. If Mr and Mrs D want to be reimbursed for any additional costs they should provide reports, and these should be considered by UKI. The scope of works provided by UKI provides the guide as to what should be included within the claim.

Despite the property report indicating it wasn't strictly necessary, I think that alternative accommodation was needed, and it was unfortunate that Mr and Mrs D were asked to source this. I think that it was for a reasonable amount of time, but it was unfortunate that Mrs D's health was affected again when returning home.

In reaching my final decision I can assure Mr and Mrs D I have considered the loss of normal use of their home during the period of the complaint. I was sorry to learn about the health problems Mrs D suffered but I think the delayed drying out was contributed to their switching off the drying out machines at times. I also think there is reason to believe that their home was suffering from damp before the escape of water occurred and so her adverse health effects may have pre-dated the claim.

I am still of the view that UKI caused delays beyond just the discovery of remaining wetness in Mr and Mrs D's home. There was delay from November 2021 to April 2022 when Mr and Mrs D went to alternative accommodation. And I think that Mr and Mrs D's suggestions and proposals were unfairly declined. The compensation of £400 I have awarded reflects the delays caused by UKI and the impact on Mr and Mrs D and also the contributory factors I have referred to above. I think the award is fair and reasonable in the circumstances of their complaint.

My final decision

For the reasons I have given above it is my final decision that the complaint is upheld.

I require UK Insurance Limited to allow payment for the replacement of Mr and Mrs D's kitchen as opposed to restoration, and pay for half of the replacement of undamaged parts. Payment should be based on evidence of costs incurred by Mr and Mrs D and relevant to

the kitchen and associated costs. Mr and Mrs D must provide reports in support of any other costs they wish to claim, and these should be considered by UK Insurance Limited.

I also require UK Insurance Limited to pay Mr and Mrs D £400 compensation for the distress and inconvenience they have been caused by its poor handling of their claim and their diminished use of their home. This is inclusive of the £200 recommended by the investigator.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Mrs D to accept or reject my decision before 14 August 2023.

Andrew Fraser
Ombudsman