

## **The complaint**

Ms M complains about Royal & Sun Alliance Insurance Limited's ("RSA") handling of her claim under her home insurance policy.

## **What happened**

Ms M made a claim to RSA following an escape of water incident at her home which caused damage to her study. RSA sourced replacement flooring for the study but Ms M raised a concern as it wasn't an exact match of the existing flooring. Then, while carrying out removals, RSA's contractor caused damage to Ms M's living room flooring. RSA then offered to repair this, but Ms M felt this should also be replaced to match the flooring in the study. RSA felt this disagreement meant they couldn't complete the repairs and offered to cash settle the claim. Ms M then complained about RSA's decision to cash settle, repair the living room flooring and about delay in progressing the claim.

RSA responded and agreed there had been periods of delay but felt these weren't attributable to RSA. They said they're aware there were occasions where their appointed contractors were unable to keep to their appointments due to their workers personal circumstances. RSA said this was beyond their control.

RSA said, in relation to the flooring in the study, while they accept the replacement isn't an identical match to Ms M's previous study flooring, it classifies as a like for like replacement on a quality of product basis. They said a cash settlement alternative was offered to Ms M to allow her to source her own replacement, but she declined this. RSA said they understand Ms M has had her study designed to match her living room flooring so she believes the replacement being offered by RSA doesn't meet their obligation to restore her home. RSA said Ms M's policy confirms they won't replace undamaged parts of her home, even if they share a design or are part of a set or suite if the damage is restricted to a clearly defined area. RSA said, despite the study and living room flooring sharing the same style, the damage caused by the escape of water was restricted only to Ms M's study. They said, as the study and living room are separated by a connecting door and doorbar, they count as two clearly defined separate areas.

In relation to the damage to the living room flooring, RSA said they agreed to deal with this damage as a goodwill gesture as the indentation to the flooring is suspected to have been caused by gravel and stones from Ms M's driveway being picked up by their contractor's workboots. They said, this means the damage to the living room is unrelated to the damage to the study, so the living room isn't included under the claim. They agreed with the decision to offer a repair for the damage and said they'd appointed a flooring expert who was of the opinion a repair was possible.

RSA said the flooring expert attended Ms M's home, but she wouldn't allow them to carry out the repair as she was concerned about how long the repair would last. RSA said the company were experts in this area and the repair works would also be covered by the policy's standard guarantee against poor workmanship, which lasts for 12 months. RSA said, as they've confirmed they're able to complete a repair, they wouldn't increase their limit of liability to include a replacement of the living room flooring. RSA said, regardless of whether

or not the living room flooring was included in the claim rather than as a goodwill gesture, the limit of their liability would still be limited to the repair.

Our investigator looked into things for Ms M. He thought RSA's decision to offer a cash settlement and to repair the damage to the living room flooring was unreasonable. He recommended RSA complete the repairs to Ms M's home and they should replace the living room flooring. He also recommended they pay £300 compensation. Ms M agreed but RSA disagreed so the matter has come to me for a 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.

Having done so, I've decided to uphold the complaint. And, I think the investigator's recommendation is a fair way to resolve matters.

My role requires me to say how a complaint should be settled quickly and with minimal formality and so I'll focus on what I consider to be the crux of the complaint and the main areas of dispute. There's no dispute there's an insured event here in relation to the repairs to the study. There's also no dispute that the damage to the living room flooring was likely caused by RSA's contractors. The main areas of dispute here relate to RSA's decision to offer a cash settlement and their decision to repair the living room flooring. Ms M doesn't want to accept a cash settlement due to the stress involved in finding her own contractor and the significant impact it would have on her health condition. Ms M also doesn't feel it's fair for RSA to only repair her living room flooring particularly as her flooring won't then match the study room flooring and she feels the repair will only provide a short-term solution.

The first point I've considered is RSA's offer of a cash settlement. Once an insurer has commenced repairs, we consider that they've entered into a repair contract with the policyholder – in essence, an agreement has been reached where the claim will be settled by repairing the damage. That's important because if things go wrong or if something unexpected arises – for example, the repair is much more complicated and/or much more expensive than the insurer first realised – we generally say the insurer can't turn back the clock and seek to settle the claim on another basis e.g. by paying cash. In this case, RSA have started carrying out repairs. But I don't think it would always be unreasonable, even in these circumstances, for an insurer to still step back and refuse to carry out repairs. There might be circumstances where a customer might be acting unreasonably to the point the relationship between the insurer and policyholder has broken down.

I can see RSA feel the claim has reached an impasse here. They say Ms M isn't agreeing to choose replacement flooring for the study on the basis it won't match the flooring in the living room. RSA say they can't therefore progress the claim as their limit of liability only extends to repairing the existing flooring in the living room. So, despite RSA already starting the repair works, I've looked at whether it's fair, in these circumstances, for RSA to cash settle the claim.

RSA refer to the policy terms and conditions which say they won't pay for replacing or changing undamaged parts of the buildings which belong to a set or suite or which have a common design or use when the damage is restricted to a clearly defined area. RSA say the damage caused by the escape of water was restricted to Ms M's study and, as this is separated from the living room by a connecting door and doorbar, they count as two clearly defined separate areas under the terms of the policy. RSA also say, whenever damage is sustained to a policyholder's building, they review the damage to check whether it's more

economically viable to repair or replace the item. They say their contractor appointed an expert in wood repair who was of the opinion that a repair was possible. RSA say Ms M didn't allow the expert to carry out repairs as she was concerned about how long the repair would last. RSA refer to the policy terms and conditions which say the most they'll pay for any one claim is the amount it will cost them to repair the damage. RSA say, as they've confirmed they're able to complete a repair, they won't increase their limit of liability to include a replacement of the living room flooring.

Having considered all of the evidence, I don't think Ms M is being unreasonable in declining RSA's proposal to repair her living room flooring. I have taken into account what RSA say, but I don't believe the damage to the living room flooring falls within the policy terms and conditions. This damage hasn't been caused by an insured event, instead it was caused by RSA's contractor's error. And, RSA appear to accept this as they say in their complaint response that they've treated this damage as a 'goodwill gesture' which is why the living room isn't included under Ms M's claim. So, while I do acknowledge what the terms and conditions say, I don't think they're applicable to the damage to the living room flooring.

Where an insured event occurs, an insurer will settle the claim in line with the policy terms and conditions. And, where a claim involves damage to flooring in a clearly defined area, it's generally not unreasonable for an insurer to decline to pay for replacement flooring to any other unaffected rooms – this is particularly the case where the policy terms and conditions set out the same wording it does in this case. I acknowledge it will be frustrating for a customer to then be left with flooring which may not be an identical match in each room, but it's a reasonable compromise as, generally, the insured event won't have been the insurer's fault so it's not unfair for them to replace only the damaged flooring to the clearly defined room which forms part of the claim.

In this case though, I don't think it's fair in the circumstances for Ms M to have to make that compromise. There's no dispute that the damage to the living room flooring was likely caused by RSA's contractors. This damage doesn't fall within the claim, so the policy terms and conditions don't apply. So, I've thought carefully about what I think would be fair and reasonable in the circumstances here. I can see the contractor's expert is of the view the flooring in the living room can be repaired. I don't doubt this, but RSA refer to the policy terms and conditions which say all repairs carried out by RSA's preferred suppliers are guaranteed for 12 months in respect of quality of workmanship. RSA also say the chosen company are experts in their area and have completed many repairs to a very high standard. I acknowledge there's a guarantee offered as part of the policy terms and conditions, but as mentioned above, this isn't a claim against the policy – so I don't think it's fair to apply the terms and conditions.

I think it's fair and reasonable in the circumstances for any resolution here to be lasting and effective – and outside of the policy terms, I don't think a 12-month guarantee offers Ms M with a reasonable level of confidence that this specific repair would be lasting and effective. So, I think it's fair and reasonable in the circumstances for RSA to replace the flooring in the living room. Replacing the living room flooring would also resolve Ms M's concern about the flooring in the study not matching the living room flooring. I acknowledge that might well have been the case in any event had RSA's contractor not damaged the living room flooring, but the fact is they have – and RSA must put this right. So, in the circumstances of this case, I think replacing the living room flooring is a fair and reasonable way to put Ms M back in the position she was in had the issue not occurred.

Taking this all into account, I don't think Ms M has been unreasonable in her request for the living room flooring to be replaced. So, in light of this, and the fact that RSA have started the repairs, I don't think it's fair in the circumstances for RSA to resolve the claim by cash

settlement. And RSA should settle the claim by completing the repairs – which includes the replacement flooring in the living room.

I've looked at the claim notes provided by RSA and it's clear Ms M was very upset and frustrated about the delays caused in the claim. I acknowledge RSA say the delays were outside of their control, but it was their contractors who were rearranging appointments, so RSA are responsible for any delays caused by this. In addition to this, I can see Ms M reported the incident to RSA on 30 March 2022 but the drying out works don't actually start until four months later. Between this time, there's an occasion where the contractor confirms they'll be carrying out strip out works but are waiting for the storage company to arrange removals. Ms M explains she doesn't want certain items to be removed from her home and asks for them to be stored in her living room. Things again are progressing slowly around this point. The claim notes also show there's a few occasions where Ms M calls RSA to say she hasn't heard from the contractor and to raise concerns about how long things are taking.

There's also further upset and frustration caused to Ms M in relation to the repairs not being completed sooner. I acknowledge RSA say the claim reached an impasse but, given what I've said about RSA's offer to repair the living room flooring being unfair, I think RSA are responsible for the work not being completed. Ms M was looking for a resolution which involved her living room flooring being replaced – but this wasn't offered by RSA. Taking into account the impact of these errors on Ms M, I think RSA should pay Ms M £300 compensation. I acknowledge the claim notes show RSA agreed to waive Ms M's excess of £350 but I can't see this was specifically in relation to all the points I've identified here. So, I think it's fair and reasonable for RSA to pay £300 compensation.

### **Putting things right**

I've taken the view that RSA have acted unfairly in not offering to replace the living room flooring and looking to cash settle the claim instead of completing the repairs. So, RSA should complete the repairs – which includes replacing the living room flooring. RSA should also pay Ms M £300 compensation.

### **My final decision**

My final decision is that I uphold the complaint. Royal & Sun Alliance Insurance Limited must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 16 October 2023.

Paviter Dhaddy  
**Ombudsman**