

The complaint

Mr S and Miss W have complained about the handling of a claim under their home buildings insurance policy with Accredited Insurance (Europe) Ltd ("AIE").

AIE are the underwriters of this policy i.e. the insurer. Part of this complaint concerns the actions of the agents it uses to deal with claims on its behalf. As AIE has accepted it is accountable for the actions of the agent, in my decision, any reference to AIE includes the actions of the agents.

What happened

Mr S and Miss W have a home insurance policy with AIE. Mr S and Miss W contacted AIE on 3 January 2023 to make a claim under the policy, as there was a water leak from their bathroom, which had caused damage to the ceiling below. AIE sent a surveyor to assess the damage, who attended on 6 January 2023. He confirmed there was cover under the policy for the repairs as this fell within the "escape of water" section of the home insurance policy. AIE therefore agreed to cover replacing the wall tiles and plaster board that had to be removed to access the leaking pipes and to apply stain blocker and paint the ceiling below.

Mr S and Miss W say the surveyor said that AIE could make cash settlement of £1,071. Mr S and Miss W said they had not been provided with a proper schedule of the works required and no basis for this figure. Mr S and Miss W asked AIE what the alternatives to a cash settlement would be and AIE confirmed it would arrange contractors to do the repair work but it would be a delay of at least two months if they wanted this. In response, on 10 January 2023, Mr S and Miss W messaged to say "*please instruct your contractors to do the work*".

There were further communications between Mr S and Miss W and AIE, including regarding their increased water bill and the cost of carpet cleaning, which AIE agreed to reimburse. However, the request to arrange contractors was not actioned until the end January 2023.

Mr S and Miss W were very unhappy with the progress of the claim and that the repairs had not been done, so they brought the complaint to this service at end January 2023. Mr S and Miss W said they had been unable to use their shower, which was particularly difficult as they have a young baby and Mr S has a manual job. While they have a bath, it is inconvenient not to be able to shower.

AIE's response to the complaint said it had made a cash settlement offer of £2,106.96 (plus VAT if they are charged VAT) being the same amount that its contractors would charge to do the work, or it could arrange the works to be done by its contractors.

One of our Investigator's looked into the matter. She thought it was clear Mr S and Miss W wanted AIE to appoint its contractors to do the repair work but it had not progressed this.

The Investigator also said any cash settlement should be what Mr S and Miss W could get the work done for, given that AIE could not provide contractors in a reasonable time. The Investigator therefore recommended that Mr S and Miss W should be given the option of a

cash value of the cheapest of three quotes provided by Mr S and Miss W; and that AIE pay £500 compensation for the distress and inconvenience caused by the handling of the claim. Mr S and Miss W accepted the Investigator's assessment.

AIE did not accept the Investigator's assessment. It said there was a delay in being able to do the works itself, due to a surge in claims and it is not fair to disregard that. It has a limit of liability which is the amount its contractors would do the work for, so it offered Mr S and Miss W a reasonable alternative cash settlement rather than waiting for its contractors. AIE said it had actioned this on 30 January 2023 and therefore the only delay it is responsible for is the three weeks at the beginning of the claim. The £500 compensation proposed for this is therefore excessive, especially as Mr S and Miss W had a bath and so were not without washing facilities. AIE said that £250 compensation would be more appropriate.

As the Investigator was unable to resolve the complaint, it was passed to me. In the meantime, I asked both parties for an update on the claim. Both parties confirm AIE's contractors attended on 24 April 2023, to do the repair work and this was completed to Mr S and Miss W's satisfaction on 7 May 2023.

I issued a provisional decision on the matter in July 2023, in which I set out my provisional findings copied below;

"Mr S and Miss W's policy does not cover for the emergency repair required to stop the actual leak but will cover the cost of repairing the damage done to the buildings by the escaping water. The policy says:

"Escape of water or oil

We will cover loss or damage caused by:

a) Escape of water from any fixed water installation...

We will also pay up to £10,000 per incident for reasonable and necessary costs to remove any part of the building to find the source of damage ... "

The policy terms also set out how AIE will settle any such claim:

"How much we will pay...

When settling your claim, if we decide 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."

AIE offered a cash settlement of the amount it said it would cost for it to pay for the work to be done. I've not seen any independent evidence that the cash settlement

offered (£2,106.96, plus VAT) was unreasonable for the work that was required. And as far as I am aware, Mr S and Miss W have not provided us with any quotes they obtained.

However, Mr S and Miss W wanted AIE to arrange the repair works and made that clear in a message to AIE on 10 January 2023. AIE didn't action this but warned Mr S and Mrs W there would be some delay in its contractors doing any repairs. In their complaint message dated 23 January 2023, Mr S and Miss W said due to the delay it was appropriate that they get the work done themselves and be reimbursed. In any case, by end January 2023, it seems AIE did arrange its contractors to do the work but this could not start until late April 2023. It took around three and a half months in total for the repairs to be completed. I think this was longer than most people would consider reasonable.

AIE also says that Mr S and Miss W knew there was going to be a delay if they got their contractors to do the work and they could have accepted a cash settlement instead. Therefore the delay it caused was only the initial three weeks (from 10 January to 30 January 2023).

Mr S and Miss W bought this policy for peace of mind and so they didn't have to find contractors in the event of issues like this occurring. While I am satisfied the cash settlement offered was not unreasonable, they were entitled to ask for the work to be done by AIE's contractors. So while I can understand a surge in claims caused AIE difficulties, this still resulted in a longer than reasonable wait by Mr S and Miss W for the repairs.

The repairs have now been completed satisfactorily, so I now only have to determine whether any compensation is warranted for the trouble caused in waiting for AIE to complete the repairs. Mr S and Miss W did have a bath, so were not without bathing facilities but there would have been some upheaval and inconvenience still, as the bathroom was in a state of disrepair for longer than it should have been.

Having considered everything, I agree that the compensation of £500 recommended by the Investigator is reasonable to reflect the trouble caused."

I invited both parties to respond to my provisional decision with any further information they wanted considered before I issue my final decision.

Mr S and Miss W have provided evidence of the quotes they obtained for the repair work (£2,082 and £1,179 for the carpets). They also say they were never offered £2,106.96 by AIE. They say they were offered £1,071, which they declined and later were offered a cash settlement of £1,255.94, which included metered water loss and carpet cleaning.

AIE has also responded to my provisional decision. It says again that it thinks £500 compensation is excessive for a three week delay. AIE says the fact that Mr S and Miss W were without shower facilities was a result of the insurance claim and not because of anything it did wrong, so this should not be part of the consideration for compensation.

AIE also says that Mr S and Miss W were told on 10 January 2023 that there would be a delay of two months or more for its contractors to do the work. This was partly due to the weather conditions at the time, which affected all insurers and the demand for contractors was increased. So it is not reasonable for me to state that it took three and a half months in total for the repairs to be completed and that this was longer than most people would consider reasonable. AIE says again that £250 compensation would be more reasonable.

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.

AIE says that because Mr S and Miss W were told there'd be a long wait for contractors to start work compensation for the total time taken to complete the repairs (other than the three weeks it took to act on their request initially) is not warranted. While we would take account of all the circumstances when considering any case, and I acknowledge that there would have been increased demand for contractors at the time, Mr S and Miss W were apparently able to find contractors available.

In addition, at the time Mr S and Miss W asked AIE to do the repairs they were not satisfied with the cash settlement offered. I can understand why. It was considerably less than the repairs actually cost and the scope of works included was not complete. It was only later that the cash offer increased and it is not clear exactly when the amount of £2,106.96 was offered to Mr S and Miss W (they say it never was).

I also consider that AIE would have been obliged to make a cash settlement in the amount it would have cost Mr S and Miss W to do the work, as AIE was not able to complete the repairs within a reasonable time. It was therefore not reasonable to insist on the cash settlement being the amount it would have cost AIE to have the work done. When I issued my provisional decision, I had no evidence to suggest the amount of £2,106.96 was not reasonable to cover the costs of the repairs, but Mr S and Miss W have provided estimates which show it would have cost them more than this. Mr S and Miss W were concerned about the costs and that they were being offered less than they would have been able to get the work done for. They therefore understandably opted for AIE to complete the repairs. This does not mean that the wait for AIE's contractors to start was reasonable, just because they took this option knowing there'd be a wait.

Having considered all the evidence again, and the points raised in response to my provisional decision, I therefore remain of the opinion that AIE did cause additional delay and the claim should reasonably have been concluded sooner than it was.

In my provisional decision I took account of the lack of a shower but also noted that Mr S and Miss W did have a bath, so were not without washing facilities. I also considered that there would have been some upheaval and inconvenience, as the bathroom was in a state of disrepair for longer than it should have been. I remain of the opinion that AIE should pay Mr S and Miss W the sum of £500 compensation for the distress and inconvenience caused by its handling of the claim.

My final decision

I uphold this complaint and require Accredited Insurance (Europe) Ltd to pay Mr S and Miss W the sum of £500 compensation for the distress and inconvenience caused by its handling of this matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Miss W to accept or reject my decision before 27 September 2023.

Harriet McCarthy
Ombudsman