

The complaint

Mrs S and Mr S complain about Lloyds Bank General Insurance Limited (“LBI”) and their refusal to pay for her undamaged tiles in her bathroom to be replaced.

Mrs S has acted as the main representative during the claim and complaint process. So, for ease of reference, I will refer to any actions taken, and comments made, by either Mrs or Mr S as “Mrs S” throughout the decision.

What happened

Mrs S held a home insurance policy, underwritten by LBI. Unfortunately, in the summer of 2022, Mrs S discovered a leak at her home. She instructed a plumber to attend her property and repair the leak, which was found coming from a pipe located within the floor of her bathroom.

Unfortunately, during this repair process, some of Mrs S’ bathroom wall and floor tiles were damaged. So, she contacted LBI to make a claim for the restoration of these, alongside other damage caused to her property.

Initially, LBI led Mrs S to believe all the tiles in her bathroom would be replaced at no cost to her, as the damaged tiles were part of a matching set. But LBI later confirmed they wouldn’t be covering the costs of this as, under the terms of Mrs S’ policy, she didn’t hold matching sets cover. Mrs S was unhappy about this, so she raised a complaint.

Mrs S didn’t think it was fair for LBI to confirm all the tiles would be replaced, including those tiles undamaged, before changing their mind. She didn’t think it was fair for LBI to replace the damaged tiles only, as it had been confirmed the same tiles as those remaining in her bathroom couldn’t be sourced. So, she didn’t think it was fair to leave her with a bathroom that had different tiles visible on the wall.

LBI responded to Mrs S’ complaint and upheld it in part. They thought their decision not to cover the cost of all the bathroom tiles was a fair one, in line with the terms and conditions of the policy Mrs S held. So, they maintained their position that they would only cover the cost of replacing the damaged tiles, with a similar replacement. But they accepted they did misadvise Mrs S initially, and they recognised how this failed to manage her expectations and so, the upset this would have caused. And they paid Mrs S £350 to recognise this. Mrs S remained unhappy with this response, so she referred her complaint to us.

Our investigator looked into the complaint and upheld it. They were satisfied the £350 paid by LBI adequately compensated Mrs S for the incorrect advice they provided. But they explained our service’s approach, which states that where there are damaged items that are part of a matching set, we’d expect insurers to pay something towards the undamaged items. So, considering this approach and the number of tiles that were damaged, and where they were located in the bathroom, they thought LBI should pay 15% towards the costs of replacing the undamaged floor and wall tiles.

LBI didn’t agree. They explained the replacement floor tiles, and the costs of these, had

been considered and covered in full. And they explained why they thought they'd acted in line with their terms when refusing to pay towards Mrs S' undamaged wall tiles.

Our investigator considered this information and issued a new view, explaining that as the floor tiles had been covered, their recommendation was now for LBI to pay 15% towards the replacing of all the wall tiles, including those undamaged. Mrs S accepted this recommendation, but LBI didn't. LBI again provided several comments explaining why they felt they had acted fairly, and in line with the terms and conditions of the policy Mrs S held. They also explained their belief that Mrs S had the chance to pay an additional premium for matching sets cover and chose not to do so. Because of this, they didn't think they should pay Mrs S 15% of the costs to replace the wall tiles. As LBI didn't agree, the complaint has been passed 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'm upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

Before explaining why I've reached this decision, I think it would be useful for me to explain what I've been able to consider. I recognise Mrs S has discussed further complaints she has about LBI and the service they provided during the claim. But our service is only able to consider the events Mrs S has complained about directly with LBI, where LBI have had a chance to respond. So, this decision focuses solely on Mrs S' complaint about LBI's decision not to cover the full cost of replacing her wall tiles, and the service they provided around this.

I note LBI have accepted they mis-advised Mrs S during the claim process, confirming they would replace all the tiles before retracting this offer. And they've paid Mrs S £350 to recognise any upset this caused. As LBI accepted they acted unfairly here, I don't think this aspect of the complaint is in dispute. So, I haven't considered the merits of this in any further detail. Instead, I will focus on the compensatory payment later within this decision, when discussing what I think LBI should do to put things right.

What remains in dispute is whether LBI acted fairly when taking the decision not to cover the costs required to replace any of the undamaged tiles. LBI think they have acted fairly, as Mrs S didn't have matching sets cover which she could've held, had she taken out a different policy at a higher premium.

It's not in dispute that Mrs S didn't hold matching sets cover, as this isn't shown on her policy schedule which I've been provided. So, I can understand why LBI think they've acted fairly, as their actions fall in line with the terms and conditions of the policy Mrs S held. But as well as acting within the policy terms, I also must be satisfied LBI were fair to rely on these terms, in this individual circumstance. And our service has a set approach to situations such as this one.

Our approach sets out that, where a customer has part of a matching set damaged, such as wall tiles, and these wall tiles cannot be replaced like for like, then we don't feel it's fair for a customer to be left without a full matching set as this is what they had before the damage occurred. But our approach also doesn't think it would be fair for a business to cover the full cost of replacing all the undamaged items, where a customer holds an insurance policy that covers the damaged items only.

So, in situations such as this, we feel it is fair for a business to pay a percentage of the costs to replace all the damaged and undamaged items. So, I don't think I can say LBI have acted fairly when refusing to cover the costs Mrs S will incur replacing all the tiles in her bathroom, to ensure she has a matching set as she did before the damage occurred. And because of this, I'm satisfied their decision not to offer anything at all was unreasonable. As I think LBI have acted unreasonably here, I've then turned to what I think LBI should do to put things right.

Putting things right

I've already set out above our service's approach in situations such as the one Mrs S found herself in. So, had LBI acted fairly, I think they would've offered to pay a percentage of the costs Mrs S will incur to replace all the damaged and undamaged tiles, to return her bathroom to a position where she has a full matching set. So, this is what I think LBI should do.

This percentage should be reflective of the extent of the damage, and how many items were damaged compared to those that were undamaged. Our investigator recommended that LBI pay 15% of the costs Mrs S will incur, which Mrs S herself accepted. And I think this recommendation is a fair one, that falls in line with our approach and what I would've directed, had it not already been put forward.

I think this offer is reflective of the evidence I've seen which shows the majority of Mrs S' wall tiles were undamaged. And, that the tiles that were damaged were located in areas of Mrs S bathroom that were fairly discreet and weren't immediately visible in comparison to the look of the bathroom overall. I think it also takes into account the fact Mrs S didn't hold matching sets cover and, that she could've held this cover had she taken out a more extensive policy, at a higher premium. So, I am directing LBI to cover 15% of the total cost Mrs S will incur re-tiling the walls of her bathroom. Mrs S should provide LBI with an invoice to show the cost of this work so this payment can be calculated correctly, and fairly.

I've also thought about the £350 LBI have already paid Mrs S to recognise their error when initially confirming they would cover 100% of these costs. And having done so, I think this compensatory payment is a fair one. I think it adequately recognises LBI's failure to manage Mrs S' expectations, and the obvious confusion and upset she would've felt when LBI made her aware they didn't intend to cover any of the costs at all. But I think it also takes into consideration the fact Mrs S didn't hold matching sets cover and so, I don't think LBI were ever obligated to cover the full costs of the bathroom wall retiling. So, I don't think they need to offer anything more regarding this aspect of the complaint.

I understand this isn't the outcome both parties were ideally hoping for. And I want to reassure LBI I have considered their comments regarding the cover Mrs S held, and her ability to purchase a policy with a higher level of cover. But even though this is the case, I don't think it's fair for Mrs S to be left with a bathroom without a matching set through no fault of her own, and so, I think the 15% is a fair compromise that is fair to both parties considering the individual circumstances of the complaint.

My final decision

For the reasons outlined above, I uphold Mrs S' complaint about Lloyds Bank General Insurance Limited and I direct them to take the following action:

- Pay Mrs S the equivalent of 15% of the cost she incurs replacing the damaged and

undamaged wall tiles in her bathroom.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 2 October 2023.

Josh Haskey
Ombudsman