

The complaint

Mr M and Ms S complain about Admiral Insurance (Gibraltar) Limited's handling of claims they made under their home insurance policy.

Admiral is the underwriter of this policy i.e. the insurer. Part of this complaint concerns the actions of its agent. As Admiral has accepted it is accountable for the actions of the agent, in my decision, any reference to Admiral includes the actions of the agent.

What happened

In late 2022, Mr M and Ms S arranged for a new kitchen to be installed in their home. Prior to this, they'd received information from their water supply company which suggested there might be a leak in the property. Mr M and Ms S say they looked into it, but a leak couldn't be found. However, there was a damp smell in their kitchen, and they found that their walls were wet. So, they decided to replace the kitchen.

Around a month after the new kitchen was installed, Mr M and Ms A found that their washing machine valve was leaking. They contacted Admiral to make a claim for the damage it had caused.

Admiral arranged for surveyors to assess the damage. It accepted the claim but initially told Mr M and Ms S that it would only pay £1 towards repairs costs after the £750 excess had been deducted. However, it later increased the cash settlement offer for reinstatement to £3,750 (less the excess).

Mr M and Ms S told Admiral that their kitchen fitter thought the previous escape of water was also due to the washing machine valve. Admiral told them that the previous damage could only be considered as a separate claim. But Mr M and Ms S disagreed. They thought it should be considered under the same claim as they believed the cause was the same.

Mr M and Ms S raised a complaint with Admiral about this as well as the settlement offer, and some customer service issues.

Admiral acknowledged some of the customer service issues Mr M and Ms S had raised and paid them £225 compensation. However, it didn't agree that the original damage to the kitchen should be considered under their first claim. And it said it was unable to see any errors with the settlement offer.

Admiral referred to policy conditions that said policyholders must not agree to run up costs or dispose of or destroy any items that are damaged without its agreement. It didn't think the photographs Mr M and Ms S had provided were enough to validate their claim for the first leak, but it said it was willing to consider further evidence. It said the settlement offer would cover the cost of repairs to damage caused by the second leak and this would be its limit of liability.

Mr M and Ms S remained unhappy and asked our service to consider their concerns.

Mr M says that Admiral contacted him and encouraged him to go ahead with a second claim (for the first incident). He says he was told the claim was validated, but two months later Admiral said it wasn't going to pay anything because its surveyors hadn't had the opportunity to review the earlier damage.

I issued a provisional decision on 7 September 2023, where I explained why I intended to uphold Mr M and Ms S's complaint in part. In that decision I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint."

Based on what I've seen so far, I intend to uphold Mr M and Ms S's complaint in part. I'll explain why.

Claim for first incident

Admiral's records show that Mr M and Ms S first contacted it about an escape of water claim in December 2022. They made a claim for damage that occurred following the installation of their new kitchen. They told Admiral that the valve from the washing machine wasn't installed properly.

Mr M and Ms S say they hadn't been able to establish what was causing the damp in their kitchen prior to it being replaced. After the second leak, they realised that the issue was also due to the washing machine valve.

Mr M and Ms S feel that Admiral should have considered the damage that occurred prior to the new kitchen being installed as part of the claim they made in December 2022 because they believe the cause was the same.

Admiral has given conflicting information about what it believes to be the likely cause of the first incident. But, regardless of the cause, I'm satisfied that there were two separate escape of water incidents. So, I think it's reasonable for Admiral to consider these to be two separate claims.

Mr M says Admiral contacted him, whilst his complaint was with our service, to encourage him to proceed with a claim about the first incident. He says it told him the claim had been validated and it was deciding on the settlement. However, two months later it told him it wasn't going to pay anything because its agents hadn't had the opportunity to validate the damage before the refit of his kitchen.

Admiral says it didn't encourage Mr M to make a claim for the first incident, it only advised him of the options available. It says its surveyors had reviewed the photographs Mr M provided and they weren't sufficient to validate the claim.

It's possible that Admiral gave Mr M confusing messages about the process regarding his claim for the first incident. However, Mr M had indicated that he wanted Admiral to consider his loss from the first incident. And I don't think Admiral would have been in a position to tell him the outcome of his claim before it had the opportunity to review any additional information Mr M wanted to provide. So, I don't think Mr M and Ms S have lost out as a result of any unclear communication from Admiral.

The policy terms and conditions say that if a policyholder is involved in any type of claim or loss they must not:

- *"agree to or run up any costs without our agreement before any work starts"*

- *dispose of or destroy any items that are damaged, until we agree that you can...*

The terms and conditions also say:

“Do not get rid of a damaged item (unless it could cause harm) as it could help us settle your claim faster. If you do not provide everything we need, it could mean we do not pay your claim or we reduce the amount you can claim for.”

Mr M says there was mould on the walls and kitchen cupboards were damaged by the first leak. It was necessary to try to fix the mouldy wall which would have affected his family’s health. The only way to do this was to take down the kitchen it had already damaged.

Admiral says it would have looked at cleaning and drying the areas with mould on the wall if Mr M and Ms S had made a claim after the first incident. New tiles and plaster would not have been required to put them into their pre-loss condition.

Admiral says the policy would only have covered the replacement of items damaged by the incident. The images Mr M provided didn’t show any damage to cupboards. The images had also been reviewed by its external and internal surveyors and they weren’t sufficient to validate the claim.

I appreciate Mr M feels that the photographs he’s provided should be enough to validate his claim. But, having reviewed the photographs he’s shared with our service, I’m not persuaded that they do. Given what it says in the terms and conditions, I don’t think it was unfair for Admiral to have declined the claim.

I’ve explained why I think it was fair for Admiral to consider the two incidents as two separate claims. I’m also satisfied that Admiral took steps to try to validate the second claim (for the first incident) by arranging for the further information Mr M had provided to be reviewed by its external and internal surveyors. So, I think it’s fair for the claim to be recorded as a declined claim.

I appreciate it was disappointing for Mr M and Ms S to have their claim for the first incident declined by Admiral. Mr M says this took around two months and he made several calls for updates. I don’t doubt that Mr M experienced some frustration and inconvenience. But I don’t think the impact was enough to require Admiral to pay compensation for this.

Cash settlement

The policy terms and conditions say:

“We will pay the cost of rebuilding, repairing or replacing any damaged part of the buildings covered under this policy.

We will decide how to settle your claim. If we decide not to rebuild or repair the damage, we will pay either:

- *the amount by which the property has reduced in value because of the damage, or*
- *the estimated cost of repair, whichever is lower.”*

Mr M says he arranged for repairs to be carried out to his property after receiving a cash settlement from Admiral, but this wasn’t enough to cover the cost of the works.

Admiral didn’t agree to our investigator’s recommendation to increase the settlement. It said it had already paid up to the limit of its liability.

Admiral's notes show that it paid Mr M and Ms S a settlement of £3,750 (minus the £750 policy excess) for reinstatement works in March 2022. It looks like there was some discussion with Mr M about why this was less than the amount Mr M had been quoted for by his own supplier. However, there's nothing to suggest that Admiral offered to have the work carried out by its own contractors.

Admiral appears to have based its settlement offer on its repair network rates. I don't think it's fair for Admiral to have limited the cash settlement to what it would have paid its own contractors to carry out the work, when it appears to have been its decision to make a cash settlement. The rates an insurer pays its approved contractors tend to be below market rates, so it's unlikely that the settlement Admiral paid would have been sufficient to indemnify Mr M and Ms S for their loss.

It's possible that Mr M and Ms S could have got the necessary work done for a lower price if they'd got a quote from a different contractor. However, I can't see that Admiral suggested this when negotiating the settlement offer.

I wouldn't have expected Mr M and Ms S to have delayed getting repair work completed whilst awaiting the outcome of their complaint. Under the circumstances, I think it would be fair for Admiral to cover the full costs of the reinstatement works (less the policy excess).

The quote Mr M has provided for the works is for £5,232. As Admiral's settlement was based on reinstatement costs of £3,750, I think it would be fair for it to pay Mr M and Ms S a further £1,482 to indemnify them for their loss. It should also add interest at 8% simple per year to compensate them for the time they were deprived of the money.

Customer service

In its response to Mr M and Ms S's complaint, Admiral acknowledged some issues in the customer service it provided them. I think the £225 it's paid them fairly recognises any distress and inconvenience they were caused as a result. So, I don't intend to award any further compensation for this."

I set out what I intended to direct Admiral to do to put things right. And I gave both parties the opportunity to send me any further information or comments they wanted me to consider before I issued my final decision.

Responses

Mr M said he was happy with the outcome if Admiral was.

Admiral said it had reviewed my findings and accepted my 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.

As both parties accept the conclusions I reached in my provisional decision, I see no reason to change them.

Putting things right

Admiral should:

- Pay Mr M and Ms S an additional £1,482 for the reinstatement works.
- Add interest to the above at 8% simple per year* calculated from the date Admiral paid the cash settlement (in March 2023) to the date the additional amount is paid.

*If Admiral considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr M and Ms S how much it's taken off. It should also give Mr M and Ms S a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons I've explained, I uphold Mr M and Ms S's complaint and direct Admiral Insurance (Gibraltar) Limited to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Ms S to accept or reject my decision before 10 October 2023.

Anne Muscroft
Ombudsman