

The complaint

Mr and Mrs G have complained about the amount St Andrew's Insurance Plc have paid in settlement of their claim under their Home Insurance Policy for the repairs and redecoration of their home following a flood. They've also complained about the distress and inconvenience they experienced by what they consider to be the poor handling of the claim by St Andrew's.

What happened

There was a flood in the basement of Mr and Mrs G's home in July 2021, which caused damage to the floors, the bottom of the walls, including the skirting and to some fixtures. It also caused damage to some of the contents which were in the basement.

Mr and Mrs G claimed under their policy with St Andrew's who appointed a company to organise the drying of the basement and the salvage of damaged contents. They also appointed a Personal Claim Consultant ("the PCC") to manage the claim. And a contractor (who'll I'll refer to as C) to scope the repair works required and carry them out, as well as doing the preparation worked required.

The drying process took a considerable period and the dehumidifiers had to be changed at one point. It was thought the property was dry, but in October 2021 a further reading in the bathroom (shower room) was taken, which the PCC thought suggested there was an underlying leak. As a result the PCC decided that the floor tiles in the bathroom needed to be lifted to check for a leak and to make sure the floor could dry properly.

C arranged for someone to lift the floor tiles in the bathroom and to 'scrabble' the floor in the hallway. A dispute then arose on the extent of the works required in the bathroom due to the discovery of an access chamber. In the end a compromise was reached with Mr and Mrs G agreeing to pay for the sanitary ware to expediate matters and C fitting it and carrying out the other works required.

However, Mr and Mrs G had lost confidence in C due to the problems they'd had with them and because of what they considered to be the unreasonable behaviour of their main representative, which they've said included him at one point threatening to change the locks on their home.

In January 2022 Mr and Mrs G emailed the PCC to say they no longer wanted C to carry out the repair works to their home and that they'd like St Andrew's to appoint another contractor instead. The PCC replied to say St Andrew's did not have another contractor they could appoint and invited Mr and Mrs G to get an estimate from a contractor of their choice. On 19 May 2022 Mr and Mrs G sent an estimate for the work from their chosen contractor (who'll I'll refer to as R) of around £39,000, plus VAT and said they'd been scheduled to start work around the beginning of June. The PCC then spoke with Mrs G on the telephone on 28 May to say she'd appointed another contractor (who'll I refer to as T) to provide a scope of works and cost for carrying them out.

R started work at the beginning of June and Mr and Mrs G chased the PCC regarding

payments they needed to make. On 20 June 2022 the PCC said all St Andrew's was willing to pay was £17,997, based on T's costings plus a 10% uplift.

Mr and Mrs G complained to St Andrew's. They paid £1,300 in compensation for delays that they said were their fault during the claim. But they wouldn't alter their position on the amount they were willing to pay for the repairs to Mr and Mrs G's home.

So Mr and Mrs G asked us to consider their complaint. One of our investigators did this and noted that, while St Andrew's had paid the £17,997 plus 10% to Mr and Mrs G, they'd not paid the VAT on this or some parking fees that R had incurred and passed on to Mr and Mrs G. She got St Andrew's to agree to pay these and gained Mr and Mrs G's permission to just consider whether the cash settlement made by St Andrew's for the works including VAT was fair and reasonable.

The investigator issued her view, in which she explained that she'd expect St Andrew's to pay Mr and Mrs G what it should have cost to have the works carried out at normal market rates. And she went on to explain why she thought what St Andrew's had paid was reasonable in the circumstances.

Mr and Mrs G didn't agree with the investigator's view and asked for an ombudsman's decision. They said that St Andrew's settlement was based on the rates their contractor would charge them and is not a realistic sum for a contractor to carry out the work at normal market rates in the area in which they live.

Having reviewed the complaint, I contacted Mr and Mrs G to clarify some issues with payments and charges by R. And I issued a provisional decision on 7 September 2023 in which I set out what I'd provisionally decided and why as follows:

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

*Mr and Mrs G's policy sets out how St Andrew's will settle claims as follows:
We will pay the cost of rebuilding or repairing the part of your home which is damaged (using a suitable equivalent material wherever possible) but not more than the cost of completely rebuilding it in its original form.*

We have the option of giving you a money payment instead of repairing or rebuilding your home. We will either:

- pay the cost of repairing the damage less an allowance for wear and tear; or*
- pay the difference between the open market sale value of your home prior to the damage and its open market sale value after the damage.*

We will not make a deduction for wear and tear or depreciation if the buildings are maintained in a good state of repair.

If it is necessary to repair the buildings we will also pay for:

- Architects', surveyors' and legal fees where these are necessarily incurred with our prior approval.*
- Clearing debris, demolishing buildings or making them safe.*
- The cost of complying with building regulations, local authority or other statutory requirements, unless the need to comply with any of them was advised to you before the insured damage happened or if the requirement relates to undamaged parts of your*

buildings.

Initially St Andrew's opted to repair Mr and Mrs G's home and appointed C to do this. When Mr and Mrs G said they didn't want C to do it and would like St Andrew's to appoint another contractor, St Andrew's said they didn't have another contractor they could appoint and opted

to pay Mr and Mrs G the cost of repairing their home. I appreciate St Andrew's might think that because Mr and Mrs G refused to let their contractor complete the repairs they are entitled to limit the amount they pay to what it would have cost them. However, I do not consider this would be fair. This is because, based on the notes and email exchanges I've seen, I can see why Mr and Mrs G didn't want to allow C to carry out the repairs to their home and I think their request for a different contractor was reasonable. The PCC said she couldn't provide another contractor, but that wasn't Mr and Mrs G's fault. And I think it is of note that when Mr and Mrs G provided an estimate the PCC was then able to find a new contractor to provide a scope of works and price it.

I also note that when Mr and Mrs G submitted R's estimate to the PCC she said she couldn't approve it and then appointed T to price the work. But she didn't tell Mr and Mrs G not to allow their contractor to start work until she had approved their estimate. This was despite the fact Mrs G told the PCC they were going to start work imminently. I realise the PCC had said in an email a month or so before Mr and Mrs G provided the estimate from R that they should not allow them to start until she had approved their estimate. But I think she should have reminded Mr and Mrs G of this when they submitted the estimate and said R were due to start work shortly. Once R had started it was not possible nor reasonable for Mr and Mrs G to have to tell them to stop and renegotiate a price with them or find another contractor. Especially, as at this point it was nearly a year after their home had been damaged.

With this in mind I agree with our investigator that St Andrew's should pay Mr and Mrs G what it would cost to have the work completed at normal market rates for their area and not at the cost provided by their contractor, plus 10%, which could be nowhere near what it would cost to have a contractor carry out the works privately at their normal rate.

The problem I have is that – in my opinion - the only evidence I have of what normal market rates were, is the scope with costs provided by R. St Andrew's have not – in my opinion – provided any compelling evidence to show this cost is too high. All they seem to have provided is a quotation provided by one of their contractors at the rate they would have charged St Andrew's and uplifted this by 10%. But, as I have already said, they have not provided anything I consider to be persuasive to show that this amount plus 10% is what it should have cost Mr and Mrs G to get the work done by a private contractor.

It is now a long time after the work was completed and two years since the damage and I have nothing from St Andrew's that I find persuades me that what Mr and Mrs G paid to R for the insurance works was unreasonable. The only reliable evidence I consider I have of normal market rates for the repair works required as a result of the flood to Mr and Mrs G's home is the spreadsheet ('the spreadsheet') they've provided, which shows what their contractor charged for the insurance works. And our investigator has sent a copy of this to St Andrew's. This is after all what Mr and Mrs G actually paid a contractor to carry out the work. So, while it is possible they could have found a contractor to do it for a lower amount, there is nothing I can see that suggests what they did pay was unreasonable against normal market rates. The estimate does include painting the ceilings, but I agree with Mr and Mrs G that this cost should be included, as it seems inappropriate to me to paint the walls of a room and then just clean the ceiling. And I'm persuaded painting them was appropriate based on Mr and Mrs G's comment that the contractors they involved suggested this would be the right thing to do.

Mr and Mrs G have also suggested in a recent email to me that St Andrew's should also pay for the sanitaryware in the bathroom, as they only agreed to pay for this to expediate matters. It seems that the new shower tray was needed because it was not possible to reinstate the bathroom into a wet room once the floor tiles had been taken up by C due to an access chamber underneath it with an access point in the room. And the wall mounted toilet was necessary for the same reason. It was St Andrew's' decision to take up the tiles when they had a second reading suggesting that the floor wasn't dry. And I think, having had a dry reading previously, this was an over-reaction and they should have waited and taken a further reading, which I think would most likely have shown the floor was dry. This would have meant the tiles didn't have to be taken up and the sanitary ware in the bathroom would not have needed replacing. And there would have been no need to put a shower tray in. In view of this, I think St Andrew's should cover the cost of the sanitary ware in the bathroom. This cost £2,302 in total.

Also, Mr and Mrs G have explained they replaced the wall tiles with ones of better quality. But the cost of tiles and tiling was not included on the spreadsheet. They've suggested a figure of £513 for tiles and grout, based on tiles at £35-40 per metre squared, plus grout and sealant, less a 10% discount, which seems reasonable to me. So I am satisfied this amount needs to be added.

There does however need to be some deductions from the cost shown on the spreadsheet. £600 needs to be deducted because in the spreadsheet it suggests they paid R £1,200 for fitting the toilet on the basis it was not supplied. Whereas Mr and Mrs G did in the end supply this and its cost is included in the amount I've allowed for sanitary ware. And R only charged them £600 to fit it. Also, in the original quote for insurance works provided by R only £2,950 was allowed for 'preliminaries', which it seems is effectively project management. I think an amount for this was reasonable and I can't really see how Mr and Mrs G could have avoided this, bearing in mind they had to commit to R and it was part of their costs. But I think £2,550 needs to be deducted to reflect the part of the £5,500 allowed for 'preliminaries' in the spreadsheet.

Mr and Mrs G have explained that they also paid £2,860 to have their sitting room redecorated, as it had been used as a temporary kitchen. St Andrew's paid £300 for this to be cleaned, but Mr and Mrs G have explained it couldn't be satisfactorily cleaned, as cleaning would have just removed the emulsion on the walls. And I agree that a sitting room used as a kitchen for a long period of time without any real demarcation, would need to be redecorated to get rid of cooking smells and stains. So I think St Andrew's should pay for this, especially as having a temporary kitchen in this room saved them a considerable amount in costs for alternative accommodation.

In summary, I think St Andrew's needs to reimburse what Mr and Mrs G paid for the insurance related works in their home as set out in the spreadsheet at a cost of £47,022, with the adjustments mentioned above. The deductions are £600 for the toilet, £2,550 for 'preliminaries' not related to insurance work. The additions are £513 for tiles, £2,302 for sanitary ware and £2,860 for redecoration of the sitting room. This makes a total amount due to Mr and Mrs G of £49,547 inclusive of VAT. I have checked with them and they have received £25,362 from St Andrew's so far (£20,885 for the works, £300 for cleaning the sitting room and £4,177 for VAT). This means I think a further £24,185 is due to them in settlement of their claim as part of the fair and reasonable outcome to their complaint.

I also consider it is fair and reasonable to make St Andrew's pay 8% per annum simple interest on this amount from the date Mr and Mrs G made the last payment to R to the date of actual payment to compensate them for being without this money. I appreciate Mr and Mrs G paid some of the amount earlier than this, but I think interest from this point is

reasonable in the circumstances. The date of the last payment was 9 September 2022, so interest should be from this point to the date of actual payment of the additional amount due.

I've also considered the way St Andrew's handled Mr and Mrs G's claim. And I think it took them far too long to get it to the point where the repairs could start. And I'm also concerned by what appears to have been quite a confrontational attitude by the main representative of C. For example, I have no reason to doubt Mr and Mrs G's assertion that he threatened to change the locks on their home at one point. It is always hard to say how long it should take to settle a claim following a flood in a basement, as the drying process can take time and drawing up a scope of works is not always straightforward. Also, in Mr and Mrs G's case, the period in question was still affected by issues due to COVID-19. However, I think it is clear errors were made by St Andrew's and – in my opinion – the claim took several months longer than it should have done to settle. And I think this, combined with what I consider to have been an unreasonable approach to settlement by St Andrew's and the somewhat confrontational attitude of their contractor means they should pay more than the £1,300 they have paid so far in compensation to Mr and Mrs G for distress and inconvenience. And I consider a payment of £2,000 in total is appropriate. This means St Andrew's will need to pay Mr and Mrs G a further £700 in compensation.

I've not considered the cost of parking as Mr and Mrs G have said they are happy with what B has offered for this.

In summary, I provisionally decided to make St Andrew's pay Mr and Mrs G the following:

- A further £24,185 in settlement of their claim.
- Interest on this amount at 8% per annum simple from 9 September 2022 to the date of actual payment.
- A further £700 in compensation for distress and inconvenience.

I gave both parties until 21 September 2023 to provide further comments and evidence in response to my provisional decision.

Mr and Mrs G have responded to say that in general they are very satisfied with my provisional decision. They've pointed out that there was no reference to VAT being added by the PCC prior to them asking us to consider their complaint. And T were only ever brought in to provide a fresh scope of works. It was never suggested to them that they were available to carry out the works; nor, as far as they were concerned, did they price them.

St Andrew's did not provide any further comments or evidence by the deadline I set.

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 Mr and Mrs G are very satisfied with my provisional decision and because their further comments, although helpful for clarity, do not alter my opinion on the fair and reasonable outcome to their complaint, I see no reason to depart from the conclusions I reached in my provisional decision.

Putting things right

For the reasons set out in my provisional decision, I've decided to uphold Mr and Mrs G's complaint and make St Andrew's pay them the following:

- A further £24,185 in settlement of their claim.
- Interest on this amount at 8% per annum simple from 9 September 2022 to the date of actual payment.
- A further £700 in compensation for distress and inconvenience.

My final decision

My final decision is that I uphold Mr and Mrs G's complaint and order St Andrew's Insurance Plc to do what I've set out above in the 'Putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G and Mr G to accept or reject my decision before 25 October 2023.

Robert Short
Ombudsman