

The complaint

Mr B and Mrs B complain about Royal & Sun Alliance Insurance Limited's ("RSA") delay in dealing with their claim under their buildings insurance policy.

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

What happened

The background to this complaint is well known to the parties so I won't go into detail but will summarise the key points. There was significant damage caused to Mrs B's home following a fire. She reported this to RSA who appointed a loss adjuster – who I'll refer to as company S – to manage the claim. Around 15 months into the claim, Mrs B complained to RSA as she felt things were taking too long and referred to specific stages within the claim where she felt RSA had delayed. She said there was initially a delay in RSA accepting liability for the claim, and they didn't help find or fund alternative accommodation ("AA") during the early stages of the claim. Mrs B also complained about there being delay in erecting scaffolding – which she said led to further damage. She said she'd received a quote from a scaffolding company a couple of days after the fire, but RSA declined this. Mrs B said, since RSA accepted the claim, progress had been slow. She felt this was down to RSA splitting the works into three separate phases; 1) strip out works, 2) roof rebuild, and 3) all other reinstatement work. She said this led to a time-consuming two step approval process for each phase. Mrs B also complained about delays in approving the schedule of works ("SOW") for phase 3 of the reinstatement works.

RSA responded and explained, due to the size of the claim and the extent of damage, a forensic report was required to determine the cause of the fire. They said claims of this nature need to be checked for the exact cause and it's normal process to place a claim on hold while waiting for a forensic report. RSA said they do note however that, during the interim, company S did carry out an initial attendance so they did try and move the claim forward as much as they could. RSA said they note, during this time, Mrs B arranged her own hotel and then AA at her own expense. RSA explained this is again normal process and they won't pay for any AA until such time that cover is confirmed. They said once cover was confirmed, they did offer to reimburse the hotel costs, but this was declined. They said, once the claim was assessed and it was clear that the AA limit on the policy would be exceeded, a final payment was made. They said they acknowledge this has now become a financial cost for Mrs B while the works are ongoing, but they can only settle up to the amount on the policy.

RSA acknowledged Mrs B's complaint about the delay in erecting the scaffolding and explained these costs couldn't be approved until cover was confirmed and liability agreed. They said once the scaffolding costs were approved, there were delays due to the location of trees and the access and space required to facilitate the scaffolding. They said these trees were subject to preservation orders, so the delays were outside of RSA's control. RSA said the delay in erecting the scaffolding and putting the tin hat in place meant the property did suffer damage from the elements, and it was some time before safe entry could be gained.

They said this did result in further damage to the contents inside the property, but the delays in getting the property protected and the strip out works underway wasn't due to RSA's handling of the claim.

In relation to Mrs B's concern about delays in scoping, approving and the tendering process followed at each stage of the claim, they said these are normal processes when handling an insurance claim, and all repair elements need to be checked at each stage to ensure that the policy terms are adhered to. They acknowledged the phase 3 costs came in much higher than anticipated due to increases in materials and contractor rates. They said a referral to RSA for approval was needed and was again part of the normal process. They said, as the phase 2 works were still ongoing while the phase 3 costs were being reviewed, there was no detrimental impact on the progress of the claim.

Our investigator looked into things for Mr B and Mrs B. She thought RSA had caused some delays and recommended they pay £450 compensation. RSA agreed but Mr B and Mrs B 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. I understand Mr B and Mrs B will be disappointed by this but I'll explain why I have made this decision.

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.

Delay in accepting liability

I can see Mrs B reported the incident to RSA on 27 September 2021 and a site meeting took place two days later – and this included company S, a structural engineer from a surveying company and a fire forensic investigator. A drone survey was also commissioned to assist the surveyor as well as potentially assisting in the forensic investigation. Company S provide a progress report on 8 October, and this notes they're still awaiting the results of the drone survey and the forensic report. The information provided by RSA shows the fire report wasn't then received until 13 October – and a decision was then made two weeks later to accept liability for the claim.

It's clear from the reports provided by RSA there was significant damage caused to Mrs B's home. Given the nature of the claim, the damage caused and the size of the claim, I don't think it was unreasonable for RSA to commission a report from a forensic expert – and it's not unusual or uncommon for insurers to take such steps to establish the cause and whether it falls within the policy terms and conditions. While I accept any repair work would be left in abeyance until a liability decision was made, I can't say there was a complete pause on all claim related work.

I can see a site meeting took place and company S, while waiting for the drone survey results and the fire forensic report, did prepare a detailed report setting out a description of Mrs B's home, the extent of damage and thoughts on the reserve to be held for any reinstatement works. So, up to the forensic report being received, I can't say there were any avoidable delays on the part of RSA.

Once the report is received though, it takes two weeks for RSA to make a decision on liability. I haven't been provided with any information or explanation for why it took RSA two weeks. While I'm not saying two weeks to make a decision would always amount to delay, I'm saying it was an avoidable delay in the circumstances of this case. I say this for two reasons. Firstly, perhaps the most important decision for a customer when making a claim is the insurer's decision on whether to accept a claim. A customer will understandably be anxious to know whether their claim will be covered – and particularly in this case which involves significant damage to Mrs B's home. Secondly, it's clear Mrs B was anxious about things moving forward and wanted RSA to consider erecting scaffolding to protect her home. So, knowing it's a very important decision for Mrs B in her circumstances, and she wants things moving forward, I think RSA should've treated this with a degree of urgency and looked to have made a liability decision sooner than they did.

Delay in erecting scaffolding

The information I've seen shows Mrs B's home was deemed structurally unsafe and needed scaffolding to stabilise the site. I can see a quote was received on 4 October and was approved on 27 October. Mrs B explains a quote was received from a scaffolding company a couple of days after the incident, but this was declined by RSA in favour of seeking further quotes for comparison. Mrs B says RSA didn't act quickly or decisively and were more concerned about any cost saving rather than protecting her home. I do acknowledge Mrs B's concern but it's not uncommon for insurers to request more than one quote with a focus on those which are not only suitable but also competitively priced. So, I don't think it was unreasonable for RSA to take this approach. And, I don't think it was unreasonable for them to hold off from authorising any scaffolding until at least cover had been confirmed.

I can see the scaffolding company then encountered some initial problems. They noted there were trees surrounding Mrs B's home which needed to be cut to allow enough space for the scaffolding to be erected – but the trees are subject to tree preservation orders, and company S note this hinders the erection of scaffolding. A report from company S says any tree work will require a formal planning application to be submitted to the local authority for approval before any progress can be made. Company S say a further visit is being arranged for an independent specialist scaffolder to consider whether a new design for scaffolding might be possible. Then consent to limited planned tree works was given and the scaffolding started. The information shows a surveying company had issued an invoice for their services which includes liaising with the local authority, design and contract administration and discussions with various parties. The scaffolding was then completed in early January 2022.

I acknowledge Mrs B is concerned about the progress here, but it appears there were unforeseen and unexpected circumstances here which led to delays – and these were outside of RSA's control. Information provided by RSA shows the issues involving the trees and the tree preservation order, and how this caused initial delay with installation and subsequent redesign necessary to provide for a bespoke cantilevered scaffold/tin hat arrangement to accommodate the trees and the boundary overhang at a higher cost than was anticipated. I acknowledge Mrs B's frustration, and in particular her concern about ongoing damage which was being caused to her home and contents at the time. I can see company S has acknowledged there was notable deterioration to Mrs B's home due to rainwater ingress. But the information shows the tin hat protections to enclose Mrs B's home couldn't be installed until the resolution of the tree preservation orders issue. So, I can't say RSA have acted unreasonably here in observing any legal requirements surrounding tree preservation orders. And while I agree this led to the erection of the scaffolding not being completed sooner, I can't say RSA were responsible for this.

Delay in authorising scope of works

I can see Mrs B is concerned about RSA's decision to split the works into three components, and she feels the approvals process built into each stage meant things didn't progress in a timely manner. I acknowledge Mrs B's concern about the tender and approvals process but, from the information I've seen, it's clear the reinstatement works required to bring Mrs B's home back to its pre-loss condition were significant – and I think this is evidenced by the total repair costs incurred by RSA to date. It's not uncommon in cases where the reinstatement works are extensive for an insurer to divide the works into separate phases and carry out a tender exercise for each. It's not unreasonable for an insurer to want to carry out a tendering process to assess suitability and costs – and then to engage the services of any suitable contractor they feel is competitively priced.

That said, I would still expect an insurer to progress a claim promptly and avoid any unnecessary delays. I can see Mrs B is concerned about phase 3 of the reinstatement works - particularly about the SOW being approved by RSA in July 2022, going out to tender, only for RSA to then raise queries in November about the tender returns.

The information shows RSA received the SOW for phase 3 of the works in July 2022 and gave approval for this to go out to tender. The information shows there were three tenders for the phase 3 SOW for the main reinstatement which were received towards the end of September. Company S then carry out a detailed review of the tender returns in October and also undertake a further site visit with the surveying company in November to cross check provisional allowances included in the SOW. I can see company S request further particulars to establish and substantiate the basis of valuation of the provisional sum allowances included within the SOW and to ensure the scope correctly details the like for like reinstatement of damage having regard to necessary upgrades required to meet building regulation standards.

Having received the information requested, Company S then confirm to RSA the SOW appears factually correct. Company S then report to RSA and say limited contractor availability and the current broader market pricing levels have combined to create a situation where RSA are being asked to consider the acceptance of a tender presented at a level substantially higher than would be considered appropriate for the works required. Company S ask RSA to consider whether to appoint a specific contractor, and this is then approved at the start of December.

I acknowledge Mrs B says this was frustrating as RSA had sight of the SOW in July but didn't raise any concerns or look to make any enquiries at this stage, despite noting they might need to raise queries with the surveying company about some provisional allowances. It appears the costs quoted by the contractors following the tendering exercise is what led to RSA wanting to review this further. I don't think it's necessarily unreasonable for an insurer to do this given that the costs quoted were significantly higher than what RSA were expecting. And I can see the surveying company did point out to RSA the level of market pricing and they'd identified general cost increases on tender returns of 25% - 30% over the last 18 months.

But in this case, RSA did have sight of the SOW in July and, as highlighted by company S in their report following their review, this does accurately reflect the works required. So, I think it would've been reasonable for RSA to have raised any questions or concerns at this point. I acknowledge RSA say they can't be expected to have foreseen the increase in costs, but RSA is an insurer and it's been widely publicised that increase in labour costs and materials have impacted the level of claim costs being incurred by insurers. Having had sight of the SOW, which included the provisional allowances, and knowing about the current market trends in terms of costs, I don't think it's unreasonable to expect RSA to have been aware the costs might be higher than expected and to have started any review into the SOW sooner.

Alternative Accommodation

Given the extent of damage to Mrs B's home, it was rendered uninhabitable. Initially Mrs B and her family lived in a hotel while a liability decision was being made. I don't think it was unreasonable for RSA to not cover any AA at the time as a decision on liability was still pending. RSA say they did then later offer to cover the hotel costs once liability had been confirmed, but this was declined. Mrs B and her family then moved into a rental property, and I can see RSA have made payments in stages which have reached the maximum available under the policy limit.

Mrs B says she has always acknowledged the policy limit – and this isn't in dispute. She says her concern is that, as a result of this limit being reached, RSA were no longer motivated to progress her claim at pace. Mrs B believes it's unfair she has to fund her AA while RSA can delay progress knowing there aren't any financial repercussions in the form of funding any AA.

I do acknowledge Mrs B's concerns and, generally, we would expect AA to be covered until the property becomes habitable or safe again, subject to the limit in the policy. Sometimes repair works take longer to finish than what was estimated at the beginning of the claim. And in cases involving significant damage to a property, there might well be occasions where additional work becomes necessary due to unforeseen and unexpected reasons. In this case, I acknowledge the repairs have taken longer than Mrs B would've liked, but for me to consider any continuity of AA payments, I would need to see RSA, or their agents, have caused unnecessary and avoidable delays – and in this case, and beyond what I've said about the liability decision above, I can't say they have. I note Mrs B's concern about RSA losing motivation but, from the information I've seen, I can't say there's any evidence of undue delays.

Taking this all into account, I think Mrs B has been caused upset and frustration by RSA not making a liability decision more promptly and by not making enquiries into the phase 3 SOW sooner. In relation to the liability decision, I have to take into account any impact was limited to around two weeks. In relation to the phase 3 enquiries, while I think a review could've been considered sooner, I can't say this had a wider impact as I can see phase 2 works were still ongoing during the period RSA were carrying out a review. So, while I acknowledge Mrs B was left frustrated at RSA not identifying a review might be necessary sooner, I can't say this led to the claim stagnating or otherwise slowing down. That said, I can see these errors have had an impact on Mrs B during a period when she was clearly anxious and frustrated with how long things were taking. So, I think compensation of £450 is fair and reasonable in the circumstances.

I wish to reassure Mrs B I've read and considered everything she has sent in, but if I haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen it or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and is a reflection of the informal nature of our service.

Putting things right

I've taken the view that RSA have made errors in not making a liability decision more promptly and by not making enquiries into the phase 3 SOW sooner. So, they should pay Mr B and Mrs B £450 compensation for the upset and frustration caused.

My final decision

My final decision is that I uphold the complaint. Royal & Sun Alliance Insurance Limited must pay Mr B and Mrs B £450 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B to accept or reject my decision before 4 December 2023.

Paviter Dhaddy
Ombudsman