

The complaint

Mrs W complains about how Liverpool Victoria Insurance Company Limited (LV) handled a claim under her home insurance policy.

References to LV include their agents who handle claims.

This decision covers Mrs W's complaint to this Service raised in July 2023 and LV's final responses dated April 2023 and a subsequent response dated September 2023, setting out their offer to Mrs W to resolve the complaint.

What happened

In July 2022 there was a fire at a neighbouring property to Mrs W, which caused damage to her property. Mrs W contacted LV to tell them about the damage and lodge a claim. LV appointed a supplier (F) to manage the claim, inspect the damage and prepare a scope of works to repair the damage. Mrs W chose the option of a contractor (R) appointed by F to carry out the work. While Mrs W didn't think R carried out all the items in the scope of works, she didn't consider the matter further.

However, when her policy came up for renewal in February 2023, the premium increased from £22.25 per month to £106.94 per month. She also learnt, from the 'Claims History' section of the Statement of Fact issued as part of the renewal documentation, the cost of the claim for the damage was £22,276.78 which she thought would have led to the increase in premium.

Mrs W was also concerned at the cost of the claim itself, from her experience as a surveyor working in the construction industry. She contacted F to request a breakdown of the claim cost so she could understand how the cost had been calculated. F provided a schedule of works showing the breakdown of costs. F noted the rates charged were set by LV. Mrs W challenged several items on the schedule, saying they hadn't been completed. F responded to Mrs W, having discussed the points raised with R.

However, Mrs W wasn't satisfied with the response, so she complained to LV (initially through her broker). She said not all the work in the scope of works was completed. As a surveyor, she thought the value of work actually completed should have been at a cost of about £5,000 – not the £22,276.78 recorded as the claim cost. She wanted the cost of the claim to be reduced and then a consequential reduction in her annual premium.

LV responded in June 2023 to say they were still considering his complaint and giving Mrs W referral rights to this Service.

Mrs W then complained to this Service. She was unhappy at the significant increase in her premium, thinking the cost of the claim was exaggerated. She said F and R were paid for all the work included in the scope of works, even though not all the work turned out to be necessary or was completed. As a qualified surveyor, she thought the value of the work completed was about £5,000 – not the £22,000 or so charged. She'd also had to pay the policy excess even though the damage was due to the fire at her neighbour. She wanted F and R to be held accountable for their actions and for the cost of the claim to be adjusted to

what she thought should be the correct amount. She also wanted her premiums to be reduced and a refund for the overpayment of premiums since renewal. She also wanted compensation for the time she'd spent pursuing her case and the distress caused to her.

Following her complaint to this Service, LV issued a final response in September 2023. They accepted the cost of the claim was incorrect, saying it was in the process of being amended, as was the scope of works which would be sent to Mrs W. LV also said the claim costs might have affected the renewal premium, so if any adjustment was needed (from amendment to the claim cost and scope of works) it would be notified to Mrs W through her broker, and she would receive a refund. LV also sent Mrs W £200 by way of apology for what had happened.

Mrs W, while noting the offer to amend the claim cost, scope of works and refund any consequential change to her premium, wasn't happy with the £200 compensation offered. She didn't think it adequately covered the hours she'd spent pursuing matters.

As Mrs W wasn't happy with LV's offer to resolve the complaint, our investigator then considered the complaint. He upheld the complaint. He thought it wasn't disputed the claim cost had been recorded incorrectly. While it wasn't part of this Service's remit to investigate the actions of F and R as they weren't businesses regulated by the Financial Conduct Authority (FCA). But their actions as the agents of LV could be considered. The investigator thought the offer from LV to revisit Mrs W's property and assess the extent of repairs carried out and then adjust the claim cost was fair. And if a premium adjustment was then required, they would reimburse Mrs W for any overpayment of premium charged. The investigator thought this was fair, but LV should add interest to any refund. The investigator also thought the £200 compensation offered by LV was fair.

Mrs W disagreed with the investigator's conclusions and asked that an ombudsman review the complaint. In disagreeing, Mrs W raised several points. First, she thought she had been the victim of fraud from the claim cost being incorrectly. Second, she thought the incorrect claim cost would have massively increased the premium for the policy. Thirdly, she didn't think £200 compensation was adequate, given the significant amount of time she'd spent pursuing matters, notwithstanding the figure wasn't based on the time she'd spent at the hourly rate she earned from her job.

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.

My role here is to decide whether LV have acted fairly towards Mrs W. It isn't to directly assess the actions of either F or R, specifically on the issue of the claim cost. F and R act as agents of LV and the costs of a claim are borne by LV (not Mrs W) as the contractual arrangements are between the three parties (not with Mrs W). If, as Mrs W has alleged, there is potential fraud in the claim costs, that's a matter for LV and/or F to consider.

Mrs W has a contract of insurance with LV, so my role is to consider the actions of LV as the insurer. I can consider the indirect impact of the claim costs being incorrect, insofar as they affect the level of premium charged by LV at the subsequent (2023) renewal of the policy. It's important to note that the cost of a policy at renewal (the premium charged) is influenced by a range of factors, including the claims history and the value of any claims. But the cost of a policy may also be affected by other factors, for example an insurer's assessment of risk, and the overall incidence and cost of claims. I've also noted recent media coverage of the general increase in insurance premiums. It's also the case that simply making a claim is likely to increase a premium, regardless of the cost of the claim.

Looking at the circumstances of the case, LV accept not all the items included in the scope of work were actually carried out. From what I've seen, this would seem to be a control failure by F, in that they didn't adequately check the amount they were invoiced by R. That's not a matter for me to consider, it's between F and R and, by extension, between LV and F.

Coming back to the case and what LV have now offered as a resolution to the complaint, LV accept the cost of the claim was incorrect, saying it's being amended, as is the scope of works to be sent to Mrs W. As the key area is a disagreement about the scope of work and what work was actually carried out against that scope, I think that offer fair and reasonable.

The second element of LV's offer is they acknowledge the claim costs might have affected the renewal premium, so if any adjustment needs to be made (from amendment to the claim cost and scope of works) it will be notified to Mrs W through her broker, and she will receive a refund. Again, I think this is reasonable as it addresses Mrs W's concern that the incorrect claim cost has significantly affected the premium.

On this point, while it's for LV to tell Mrs W what impact on the premium might arise from amending the claim cost, I've seen internal LV exchanges where the impact on premium from different (lower) claim costs has been calculated by the Underwriting Team. Looking at the figures, the impact on the annual premium is relatively small – it isn't the case that the proportionate reduction in claim costs leads to the same proportionate reduction in the annual premium. The latter reduction is much smaller than the former, as a proportion. This indicates the cost of a claim (as opposed to a claim being made and other factors) isn't the main factor driving the increase in premium – so it's not the case, as Mrs W believes, the incorrect claim cost had a 'massive' impact on the premium.

The third element of LV's offer - and third element of Mrs W's disagreement with our investigator's view – is the level of compensation for the distress and inconvenience she's suffered from what happened. As LV accept the claim cost recorded is incorrect, then I agree Mrs W has suffered distress and inconvenience from having to challenge the claim costs with R, F and LV. I don't doubt, given her professional background, she has spent a significant amount of time pursuing her concerns. While I've concluded LV's offer to amend the claim costs and scope of work, in addition to recalculating the premium to reflect these amendments, is fair and reasonable, I do think Mrs W should be compensated for the distress and inconvenience she's suffered.

The approach we adopt as a Service to distress and inconvenience is set out on our website and I've thought about this in that context. Mrs W recognises our approach isn't to make a calculation based on the amount of time spent at what would be a consumer's rate of pay from their occupation. I've considered the specific circumstances of the case together with our approach as a Service and concluded that £200 would be fair and reasonable.

My understanding is that LV have already paid Mrs W the £200 they offered. That being the case, given my conclusion it's a fair and reasonable offer, I won't be asking them to take any further action.

My final decision

For the reasons set out above, it's my final decision to uphold Mrs W's complaint in part. I require Liverpool Victoria Insurance Company Limited to:

- Amend the claim cost and scope of work to reflect the actual work carried out on Mrs W's property.
- Calculate an amended premium for Mrs W's policy, based on any amended claim cost and scope of work and refund any difference in premium to Mrs W.

Liverpool Victoria Insurance Company Limited should also add interest, at a rate of 8% simple, on the amount of any amended premium refunded to Mrs W.

If Liverpool Victoria Insurance Company Limited consider that they're required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mrs W how much they've taken off. They should also give Mrs W a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 7 December 2023.

Paul King
Ombudsman