DRN-4379082

The complaint

Ms B and Mr L complain about U K Insurance Limited's ("UKI") handling of their claim under their buildings insurance policy.

Ms 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 Ms B or Mr L as "Ms B" throughout the decision – save for when I refer to "Mr L" in relation to matters specific to him.

What happened

Ms B made a claim to UKI following an escape of water incident at her home in March 2018. Ms B says she became concerned about UKI's handling of the claim as they took too long to start the drying out works and to remove her contents – which she says led to damage to her contents. Ms B says UKI originally agreed to carry out the repair works but changed their position a year later and decided to cash settle the claim. Ms B was also concerned that UKI refused to settle her contents claim and Alternative Accommodation ("AA") claim. So, Ms B complained.

UKI responded and explained they accept there had been delays, specifically in relation to removing asbestos, installing drying equipment and removing contents from Ms B's home. They also accepted they should've contacted Ms B again following an email sent in July 2020. UKI said, in line with the policy terms and conditions, they can decide to cash settle a claim. They explained their loss adjuster – who I'll refer to as company S – recommended they cash settle the claim. UKI explained they wouldn't consider Ms B's claim for AA as the tenancy agreement showed the property Ms B was staying at belonged to Mr L, who is the joint policyholder.

In relation to Ms B's contents claim, UKI said Ms B only had buildings cover, and not contents cover. They said, when Ms B originally took out the policy, she only selected buildings cover. They said they'd sent policy documents each year which confirmed the level of cover Ms B has and it would've been her responsibility to make changes, and include contents cover, to make sure the policy met her needs.

UKI said they therefore can't cover the contents claim, but they accept there had been some further damage sustained to contents which remained in the property and offered a goodwill gesture towards this. UKI also sent Ms B £350 compensation for the delays.

Further communication followed and UKI then paid Ms B a cash settlement of £137,526.40 in August 2022. UKI said this sum was in addition to any sums already paid and was in full and final settlement of the claim. UKI provided a breakdown as reinstatement (excl. VAT) - £99,466.40, professional fees (excl. VAT) - £5,060, AA - £25,000, and contents - £8,000. In relation to the part of the settlement relating to repairs, UKI explained they'd applied a 10% uplift to factor in the recent fluctuation in building costs. Ms B felt this didn't represent a fair settlement, so she referred her complaint to our service.

After considering all of the evidence, I issued a provisional decision on this complaint to Ms B and Mr L and UKI on 17 August 2023. In my provisional decision I said as follows:

> "*I can see extensive representations have been made by Ms B, Mr L and UKI. 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. If I haven't commented on any specific points, it's because I don't believe they change what I think is a fair outcome here.*
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> *Decision not to carry out repair works and offer a cash settlement*
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> *The first area of dispute I've looked at is UKI's decision not to carry out repair works. I understand Ms B is concerned UKI originally agreed to carry out repairs – and even appointed agents to manage the repairs - but then decided to cash settle the claim a year later. Ms B says UKI informed her they can make this decision at any point.*
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> *My starting point is Ms B's buildings insurance policy booklet. This sets out the terms and conditions and, under a heading 'How we settle claims' it says, UKI will choose to "manage and pay for repairing or rebuilding the damaged part using our own suppliers, pay to repair or rebuild the damaged part using your suppliers, or make a cash payment." So, while the terms and conditions do allow UKI to settle the claim by making a cash payment, I've thought about whether that's fair and reasonable in the circumstances of this complaint.*
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> *Once an insurer has commenced repairs, we consider that they've entered into a repair contract with the policyholder – in essence, an agreement has been reached where the claim will be settled by repairing the damage. That's important because if things go wrong or if something unexpected arises – for example, the repair is much more complicated and/or much more expensive than the insurer first realised – we generally say the insurer can't turn back the clock and seek to settle the claim on another basis e.g. by paying cash. So I've looked to see whether UKI had started any repairs.*
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> *There's no dispute that UKI appointed company S to manage the claim, and they in turn appointed a company to start assessing the repairs which included drafting schedule of works. I can see other agents were appointed to carry out asbestos testing and removal, drying works and also contents removal. But I can't see UKI – or any of the agents – started carrying out any building repairs. I don't disagree it was UKI's intention initially to carry out the repairs because I can see schedule of works were prepared. But, given that building repairs never started, and the terms and conditions allow UKI to cash settle the claim, I don't think it was unfair for them to offer this.*
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> *I think it's important to also take into account UKI's reason for changing their position. Looking at the information provided, which includes all correspondence involving Ms B, UKI and company S, it's clear there was a breakdown in relationship here. Company S contact UKI over a year into the claim and explain they've encountered challenges in handling the claim. They explain Ms B continues to disagree and dispute the schedule of works and scope of repairs. Company S say its agent had already attended Ms B's property twice to discuss the schedule of works in detail with Ms B and answer all queries. Company S say, despite every effort by it and its agents to resolve any issues and alleviate any concerns, Ms B continues to dispute the schedule of works.*

Company S say, they agreed to attend the property one final time to go through every item in the schedule of works. Company S also refer to spending five hours during a site meeting to go through the schedule of works on a line-by-line basis to enable Ms B to raise any queries. Company S say this is preventing it from progressing the claim and also explain its reasons for why it believes Ms B doesn't trust it to carry out the repairs, and company S then recommend cash settling the claim. It's clear from further communication between UKI and company S, they agree the relationship has broken down and a cash settlement would allow Ms B to get the repairs done using her own contractors. I do understand Ms B feels it's unfair for UKI to change their position on settlement from repair to cash payment. But from the information I've seen, I don't think their view that the relationship had broken down was unreasonable and, given the building repairs hadn't yet started at that point, I don't think it was unfair for them to settle the claim by way of cash payment.

I note Mr L says, up until UKI sent a cash settlement breakdown in 2022, Ms B was continuously led to believe UKI would be carrying out repairs. Mr L refers to an email sent by company S in February 2022 which refers to arranging a site meeting to "…facilitate a full inspection of the property throughout, enabling us to review with you all the elements that need consideration and finalise the schedule of building repairs and redecoration." I agree this email does refer to the schedule of works for repairs, but it doesn't say the purpose of the site meeting or preparation of the schedule of works is for UKI to carry out the repairs. I think UKI had already made their position on cash settlement clear in March 2019 so, beyond this point, I don't agree UKI continued to lead Ms B to believe they would carry out the repairs. And while I agree a fourth schedule of works was prepared, this was to help UKI agree a scope of works in order to calculate a cash settlement.

Settlement amount for the repairs

UKI have provided a breakdown setting out how they arrived at the cash settlement amount. It's clear there was a tendering process, and they used the figures provided by their suppliers to calculate the costs to settle the repairs. UKI then added a 10% uplift to this which they say takes into account the recent upwards fluctuation of building costs and materials. I understand UKI have applied the uplift in an effort to achieve a resolution, but I don't think this achieves a fair resolution for Ms B. I say this for a number of reasons.

Firstly, I don't think it's fair in the circumstances of this complaint for UKI to base the cash settlement on their supplier rates. As mentioned above, UKI can offer a cash settlement. And the terms and conditions say, "We won't pay more than the amount it would have cost us to repair or rebuild the damaged part using our own suppliers." But in this case, while I acknowledge UKI's reasons for changing their position, I think it's important here that Ms B had never declined UKI's original offer to carry out repairs.

Secondly, I've seen no information or explanation for why a 10% uplift is fair in the circumstances of this complaint, or even on more general terms, why it's considered to be a fair percentage to recognise rising costs in the building industry. I've seen the tender results and note UKI looked at three different quotes. The one they've used to calculate the cash settlement is from a supplier and provides the lowest quote of the three. There's then an industry benchmark quote – which is the highest. When looking at these two quotes, the industry benchmark quote is more than 10% higher than the quote used by UKI. So, this further persuades me the 10% uplift applied by UKI isn't fair.

Insurers often have arrangements with suppliers that mean they can get things repaired for less than the market rate a consumer might pay. So, the cost to an insurer will likely be different to what a consumer will pay to arrange the same repairs. As UKI have decided to change their position – without Ms B specifically declining any offer to repair – I think the amount UKI offer to cash settle the claim should reflect the cost to Ms B of getting the repairs done. And in this case, that means all calculations which UKI have based on their supplier rates should instead be based on current market rates. I don't think it's fair for UKI to use rates which are not only based on their agreed supplier rates, but to use figures which were agreed a significant period before they were communicated to Ms B. As accepted by UKI, things have since moved on in the building industry, including the price of materials and labour. And I think a fair approach here would therefore be for UKI to use current market rates. That will ensure Ms B will likely receive an amount based on the rates she will be quoted when arranging the repairs. I don't think it's unfair for UKI to use the scope they have when they carried out their calculation for a cash settlement, but the settlement should be recalculated using current market rates.

I can see our investigator has recommended UKI increase the 10% uplift based on the industry benchmark amount and pay the difference between what has been paid and the new amount. But I don't think it's fair in the circumstances for UKI to apply a 10% uplift on the market rates. The reason for UKI applying the uplift was because they acknowledged the time period between them getting their supplier rates and then putting an offer to Ms B – so this uplift was to account for the increase in building costs between that period. But, as UKI will be settling the claim based on current market rates, that will take into account any increases which have occurred. So, I won't be asking UKI to apply any additional uplift.

Alternative accommodation

I can see Ms B's policy does cover AA – up to a limit of £50,000. UKI have paid £25,000 towards AA costs. I can see Ms B feels this is unreasonable as she has provided tenancy agreements to UKI – the first of which has been signed and dated 1 April 2018. This shows the rent is £2,500 per month, so Ms B says her AA costs are significantly higher than the amount paid by UKI. So, given there's an additional amount of £25,000 available to Ms B under the policy, I've looked to see whether UKI have acted reasonably.

I can see AA costs were first mentioned by UKI in September 2018 – at this point company S inform UKI that Ms B is living with Mr L at his property and hasn't incurred any AA costs. It's looked at again in November and again company S inform UKI Ms B is still living with Mr L and hasn't incurred any AA. From notes provided by UKI, it appears Ms B raised AA with company S in May 2019 at which point she explained she'd been renting and for this to be backdated to April 2018. This is discussed by UKI and company S in October at which point a concern is raised that Ms B had previously never discussed any AA arrangements with them.

UKI then, and as part of their consideration of a cash settlement amount, look into the AA costs again and note the AA costs relate to a property which forms part of Mr L's late father's estate – and Mr L is the joint policyholder. UKI note, before they consider this, they need the Executor of the estate to provide details of the sum of rent they're seeking and the period of time, and details of the nature of the agreement. They raise a concern that the AA costs are significantly backdated and it's usual for insurers to be involved in the selection of a suitable property for AA and to agree those costs prior to the insured taking up residency – and that hasn't

happened here. UKI note, despite numerous requests, they're yet to receive this information.

UKI look at AA costs again and refer this part of the claim to their claims validation team as Mr L has a financial interest in the house UKI insure - and it appears the AA is Mr L's late father's house and he is allegedly charging Ms B. UKI say they may consider AA costs once they receive a response from their claims validation team and once an explanation is received as to why tenancy agreements were only sent to UKI in March 2020 despite allegedly being signed on 1 April 2018 and 1 April 2019, as well as evidence of payments. The claims validations team then decline this part of the claim on the basis Ms B and Mr L have signed a tenancy agreement for a property which appears to have been inherited by Mr L – and being the joint policyholder, they don't believe there has been any financial loss. And also, because the agreements were presented to UKI so late in the day.

Then in June 2022, when UKI are calculating the breakdown of the cash settlement, they still don't accept the AA costs claim based on the concerns they have. They explain, had accurate details of the arrangements been provided at the outset, appropriate agreements could've been established between them and Ms B. But they acknowledge a disturbance allowance payment should be made in line with the policy. UKI say, without prejudice, assuming instructions had been given to the contractors, and had they been allowed to progress the works, the works could've been completed by July 2020. UKI say, based on the information supplied at the outset of the claim, the policy would cover a contribution towards expenses of £10 per day, per person, from the date of loss – and I've seen the calculation they completed for this. So, they assess a reasonable allowance for this would be £25,000.

Taking this all into account, I don't think UKI have acted unfairly in paying £25,000 and treating the payment as a disturbance allowance. I acknowledge Ms B believed the repairs would've been completed within three to six months, so I think after six months Ms B would've known things were taking longer. And at this point, I can't see UKI were informed about any potential AA costs. That didn't happen until just after a year into the claim – with a tenancy agreement then provided around 10 months later for costs incurred from April 2018. Therefore, I don't think UKI are being unreasonable in taking the view that they should've been notified of this at the outset and to have been given an opportunity to consider any suitable AA arrangements. And, I don't think it's unfair for them to question why the tenancy agreements were provided so late in the claim. I also don't think they've acted unfairly in declining this part of Ms B's claim given they've asked for specific evidence, such as payments made, and I can't see this has been provided.

I've also seen information which shows Mr L was the Executor of his late father's estate. In relation to the property which Ms B is claiming AA for, the first registration of Mr L's title to this property was completed in May 2018. Ms B says this property was then being prepared for sale or rental so an income could be received for the beneficiaries of Mr L's late father's estate. Ms B says she'd also planned to place her property on the rental market. Ms B says there has been a financial loss to her in relation to both properties. In relation to her own, she has lost out on rental income, and in relation to the AA property, she has incurred rental costs. I've already explained above why I don't believe UKI have acted unfairly in not covering the AA rent for Mr L's property. In relation to Ms B's property, UKI say, in order to consider cover for any rental income, Ms B would need to demonstrate her property was on the market for rental otherwise UKI can't consider this as financial loss. So I don't think UKI are acting unreasonably here.

Delays

UKI accept there were delays caused by their suppliers. They agree there was delay in getting the asbestos removed, drying equipment being installed and the contents being removed. I can see UKI paid Ms B £350 compensation – and I think that's fair and reasonable in the circumstances.

It's clear the whole process has taken significantly longer than it should've. But, I don't think the delays can be wholly attributable to UKI. The information I've seen shows there has been a number of disagreements throughout the claim. One area of disagreement was around the schedule of works which I've already referred to above, as well as explaining how this was one of the reasons which led to UKI offering a cash settlement. I can see Ms B raised queries about the schedule of works – and I don't think it's unreasonable for a consumer to raise queries concerning the repairs to be carried out on their property. But Ms B attended the site meetings when the schedule of works were being prepared and, as UKI have mentioned, this gave Ms B an opportunity to raise any queries in person so that the claim could proceed. But I can see there were still disagreements following the site meetings.

Another area of disagreement was around the contents. While UKI accept there was a delay in removing the contents, I can see Ms B wasn't happy about her contents not being cleaned and PAT tested. UKI didn't feel this was reasonable as Ms B didn't have contents cover. I can see this continues for several months, and even after the contents are removed.

I've also seen there was disagreement about an area of damage to Ms B's wall. I can see two of UKI's appointed experts were instructed to comment on this area of damage and whether it was linked to the escape of water. Both found it was likely a pre-existing condition or as a result of roof spread. I can see Ms B disagreed and UKI agreed to Ms B instructing her own expert. Ms B's appointed expert then prepared a report following a site meeting and their report found that the issue does relate to the escape of water and recommended the schedule of works include repositioning of the straps. UKI still disputed the issue was linked, but I can see they agreed to the additional strapping and plaster repair to the cracking of the flank wall, even though they didn't consider this to be directly attributable to the original escape of water. So I think UKI have acted reasonably here.

One area where I think there has been significant delay caused by UKI relates to the cash settlement terms – I think UKI took too long to present Ms B with a cash settlement proposal. I've seen company S first started recommending a cash settlement to UKI in February 2019 and they write to Ms B the following month to propose this. Company S then continue recommending this to UKI over the next few months. UKI and company S then do some calculations to work out the value of the cash settlement in October.

Despite this, and there being continued discussions with company S, I can't see UKI then formally offer a cash settlement to Ms B until July 2020. And it's almost two years later in July 2022 that UKI then provide a detailed breakdown of the cash payment being offered. I acknowledge UKI were at times waiting for Ms B to provide responses, but UKI are the experts here and would be expected to manage the claim in a manner which ensures decisions are made promptly.

I've also seen UKI had concerns about offering a cash settlement without sorting out reinstatement of the water, heating and electricity services. But I've seen company S did propose a resolution for this as far back as April 2020 which was to cash settle now, with the caveat that, any additional costs for plumbing, heating and electrics would be covered upon provision of validated invoices for these works from any contractors appointed by Ms B. I can see company S reached this view as it had put queries to a plumber and electrician but wasn't getting a response from them. So, at this stage, company S appear to be encouraging UKI to cash settle based on the rates and scope they do have, but subject to UKI meeting any additional costs if the end amount for the plumbing and electrical works exceeds their cash offer for this part of the work.

Despite this, it took over two years for UKI to present Ms B with a cash settlement amount and breakdown. I acknowledge UKI say, in the interim, Ms B took 17 months to respond to their email in July 2020. But I don't believe this should've prevented UKI from presenting Ms B with a settlement amount and terms. I say this for two reasons. Firstly, their email explains UKI will be cash settling the claim and, while it does ask Ms B to provide a response, it's clear from the information I've seen, a decision had already been made to proceed with this. So, I don't believe a lack of response from Ms B prevented UKI from taking this forward – particularly as they're the experts here and are expected to manage the claim fairly and promptly.

Secondly, I can see UKI review the claim in December 2020 and calculate a cash settlement amount based on tender results obtained over a year before. So it's clear calculations were being done at this stage, yet no specific settlement terms were put to Ms B until July 2022. I acknowledge the notes show Ms B was challenging the third schedule of works around this time, but I don't think this should've prevented UKI from sharing their calculations with Ms B or even considering an interim payment while further discussions might've taken place about the schedule of works. I can't see any substantive progress was made until a fourth schedule of works was completed in March 2022. I think it's also important to add this was after Ms B complained in December 2021.

So, taking this into account, I think UKI should pay compensation for the upset and frustration caused to Ms B – and I think an additional £650 is fair and reasonable here.

Contents damage and storage

Ms B says UKI's delays in carrying out drying works and removal meant her contents were left in damp conditions which led to them becoming damaged. Ms B has provided a list of all contents she says were damaged by UKI and feels they should cover the cost of these.

There's no dispute here that Ms B only had buildings cover through her policy with UKI, and not contents cover. I can see company S also did let Ms B know at the outset of the claim that her policy didn't provide cover for her contents. So, while I don't think it's unreasonable for UKI to decline Ms B's contents claim on the basis they don't provide cover, I've looked to see whether UKI are responsible for any of the damage caused while they were handling the claim.
Ms B says, around two months into the claim, she started raising concerns about the presence of mould in the property – and the affect this could be having on her contents. Despite this, the drying out works didn't start until over three months after Ms B reported the incident. And I can see some contents were removed seven months later, with the remainder removed three months later. UKI accept there were

delays in arranging this. But they explain they're responsible for removing items to facilitate repairs to be carried out – so they didn't have a duty to remove any contents until, and unless, repair work started.

I can see the asbestos testing didn't take place until just over a month after Ms B reported the claim and the asbestos removal didn't then take place until around six weeks later. Around two weeks later the carpets are removed and the drying out works start in June 2018. I can see UKI's agent was able to move some contents around into different rooms during the drying process – so I don't think UKI needed to remove them at this stage as no repairs had started. The drying works were completed in August. Following this, I can see there was discussion around items which were beyond economical repair with company S saying they'll be disposing of any such items and arranging removal of only the unaffected items. UKI then get a quote for removal and storage of contents but they believe it's too expensive, so they then look to source a local company. The information shows Ms B wasn't happy to use an alternative company so UKI then instructed the company who provided the quote. A 'beyond economical repair' assessment was carried out and some items were then removed in January 2019, and the remainder removed in April.

There's no dispute there were delays in arranging the removals – and this has been factored into UKI's payment of compensation. I acknowledge Ms B was raising concerns about her contents being left in the property and any further deterioration which might be caused to her contents. But I haven't seen any evidence any damage, which Ms B says was caused, resulted from these delays rather than the escape of water incident. From the information I've seen, it's clear company S had early concerns about contents being beyond economical repair. So, it does appear some contents were damaged as a result of the escape of water.

I can see Ms B asked about items being PAT tested, but I don't think UKI have acted unfairly in declining this. Firstly, Ms B didn't have contents cover so UKI's responsibility was limited to removal in order to facilitate repair works. And secondly, UKI say there is no way of identifying if the electrical items had become more badly damaged over time, and even if they'd PAT tested them, no matter when that was, all that would tell them is whether the electrical item was in working order, and not how it became to be malfunctioned, if that is the case.

I can see UKI did make it clear early into the claim that any cleaning, drying and/or restoration of contents was Ms B's responsibility as she didn't have contents cover. So, in the same way I can't say with any certainty whether the damage was caused by the delay in removal or the original escape of water, I also can't rule out the possibility any further deterioration might've been caused by the items not being cleaned or dried, or any restoration not having taken place sooner. I acknowledge Ms B says there wasn't any water or electricity in her property, but as mentioned above, it also wasn't UKI's responsibility to carry this out. I can see UKI have, in their cash settlement, paid £8,000 towards contents damage as a gesture of goodwill – and I think that's fair and reasonable in the circumstances.

I note Mr L refers to an email dated 19 July 2020 in which he says UKI accept their delays caused damage to the building and contents. Mr L says this is an admission by UKI that they've caused the further damage to the contents. I've seen this email and note UKI say they're aware the impact of the delays would be further damage to the property and contents. UKI then follow this up by saying they pointed out from the start that contents weren't covered.

The email says UKI agree to deal with damage to the carpets as a goodwill gesture and they would consider a further payment for damage to contents. UKI say the contents are Ms B and Mr L's responsibility and action should've been taken by them to prevent damage. I don't believe this is an unequivocal acceptance by UKI to meet the cost of all contents damage – and it's clear from the email UKI would be taking legal advice about this part of the claim. UKI then agreed to pay £8,000. I do agree with Mr L that UKI appear to be accepting further damage occurred to contents as a result of the delays. But, beyond what they've already paid, I can't ask them to meet the full costs Ms B is claiming because, as mentioned above, I can't say the damage to all of those items was as a direct result of the delay rather than the escape of water.

I understand UKI are still paying for the storage costs of Ms B's contents – and have done since April 2019. Looking at the policy, I can see there is cover for storage costs, but this is under the contents cover section – which Ms B doesn't have. I can't see there's any cover for this under the buildings cover section. Given that UKI have been meeting these costs, I can't say they've acted unreasonably. I can see UKI say, going forward, Ms B will need to make arrangements to take delivery of her contents as it's unfair for them to continue paying for storage after they've cash settled her claim. I accept UKI have made a payment to Ms B but, for the reasons explained above, I don't agree it's a fair settlement. So, once a settlement amount has been paid to Ms B, in line with the decision I've made, I think it's fair and reasonable for UKI to then work with Ms B and Mr L to arrange delivery of their contents.

As mentioned above, there are extensive representations made by all parties here. I wish to reassure Ms B, Mr L and UKI I've read and considered everything they've 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."

So, subject to any further comments from Ms B and Mr L or UKI, my provisional decision was that I was minded to uphold this complaint.

Following my provisional decision, I've received extensive representations from Ms B and UKI. As I've mentioned, my role requires me to say how a complaint should be settled quickly and with minimal formality and so I've focussed on what I consider to be the crux of the complaint and the main areas of dispute. I think it's important to add, I won't be commenting on every event and each representation made, instead I have taken a broad approach to the overall service provided. I think it's also important to address UKI's request for a telephone call. I have considered this, but I'm satisfied UKI have clearly set out their points of dispute so I don't think it would be necessary in the circumstances to have a telephone call.

In relation to UKI's decision to not carry out repairs and offer a cash settlement, Ms B maintains it's not fair for UKI to change their decision from repairs to cash settlement. Ms B says UKI commenced building repairs with a plumbing repair in June 2018. She says a plumber repaired the pipe in the loft that had split, and which caused the original escape of water. Ms B believes this relates to reinstatement work. Ms B says flooring was also removed in June 2018 and then 40 holes were drilled into the walls to allow for moisture level monitoring.
Ms B says 12 months after the escape of water, UKI employed plumbers and electricians to repair the heating and water systems that had been damaged by the escape of water and formed part of the schedule. Ms B also refers to repairs carried out to the central heating

system. On this basis, Ms B says UKI can't justify changing to a cash settlement when they'd already started to carry out repairs.

Ms B says, despite information showing UKI and company S were giving serious thought to a cash settlement, UKI didn't at any time during this period inform her they'd definitely changed their mind from repairs to cash settlement. Ms B says the position would've been more understandable had UKI started with a cash settlement offer, but she feels it's unfair to change their settlement proposal a year later.

Ms B accepts she did continue to dispute the schedule of works, but she says her commentary was ignored. Ms B says the breakdown of relationship between her and UKI started when company S realised how much damage had been caused to the property and the uninsured contents when they attended the property in January 2019, and their refusal to accept that delays in drying out had caused further deterioration of the property and contents.

Ms B says she has always wanted UKI to carry out the repairs and she had every faith in them carrying out the repairs. She says she took all steps to ensure things ran smoothly between her and UKI and company S. Ms B says she has never declined UKI's offer to carry out repairs. She says company S decided she was being difficult when she wasn't satisfied with the continual lack of agreement around what repairs were to be done.

In relation to the settlement amount for repairs, Ms B says if it's decided that a cash settlement is reasonable here then it must be based on market rates. Ms B refers to the flooring allowance contained in the schedule being insufficient as she has received a higher quote for the flooring.

For this part of the complaint, UKI say it's not the role of our service to decide if, and when, the policy contract applies and when it doesn't. UKI say the policy allows them to cash settle a claim, so by offering this they're acting in line with the contract of insurance – and this allows them to cash settle the claim on the amount of the lowest tender.

UKI say, the cash settlement of £137,526.40 was paid to Ms B on 2 August 2022 yet she has continued to insist that UKI should carry out the repairs. They say Ms B hasn't completed any work to the property which will likely have caused further damage to the property. They also say the fact that Ms B hasn't had any work carried out despite receiving a cash settlement will have a detrimental impact now on the rates being charged.

UKI say a recommendation has been made based on a presumption, and not evidence or facts. UKI say our service should be requesting evidence from Ms B in terms of quotations and details of work being carried out before a decision can be made on what is fair and reasonable. UKI say they've paid provisional costs that Ms B might not have even incurred yet they're being asked to increase the settlement amount. UKI say the decision is unfair as Ms B might not even incur these fees and would financially benefit from the claim. UKI say it would be unfair to request they recalculate their schedule of repairs without any evidence of costs/estimates being presented by Ms B.

In relation to the AA, Ms B says, at the time of the event, the property where she's living wasn't in Mr L's name and the matter wasn't concluded until August 2018 when the Land Registry returned the relevant documentation. Ms B says when she was asked by company S during a site meeting in April 2022 whether any money had been paid to the beneficiaries for rent, she answered 'no' as she didn't have the money to pay rent and was waiting for UKI to pay this. Ms B says there are now legal proceedings ongoing which includes a claim for rent. She says the beneficiaries are now taking legal action as the AA property was to be rented out to provide an income for the beneficiaries.

Ms B says she did contact UKI in May 2019 to let them know the executor and beneficiaries were wanting rent for the property as, what was supposed to be a 3-6 months' arrangement, turned into something longer. Ms B says she was asked to provide tenancy agreements which she did and then, during a conversation in July 2019, UKI said they would backdate any claim for AA so Ms B doesn't lose out financially.

For the AA part of the complaint, UKI say our service hasn't questioned Ms B on why a signed tenancy agreement was submitted to them over two years after the claim and after it was signed stating Ms B would pay £2,500 per month to Mr L, the joint policyholder, when in fact Ms B made no payments of this amount to Mr L.

In relation to delays, Ms B doesn't feel the £350 offered for the initial four-month delay is reasonable. Ms B says this period of delay led to damage to her property and contents. Ms B also says it's not reasonable given the rental value of her property was £5,000 per month. Ms B also doesn't feel the £650 being directed in reasonable. Ms B also says the point about her insisting on PAT testing isn't true and she was fully aware PAT testing wouldn't be carried out. Ms B says Mr L did the PAT testing himself.

I can see Ms B says she asked company S before the March 2022 meeting, and before the fourth schedule was prepared, what the purpose of the meeting was, as well as the agenda. Ms B says the response she received back contained no reference to this being a meeting to agree a scope of works in order to calculate a cash settlement. Ms B says there was no mention of a cash settlement before, during, or after the site meeting. Ms B says it took three years from when UKI first mentioned a cash settlement to then provide a detailed breakdown of the cash settlement and four years from the start of the claim.

For the delay part of the complaint, UKI say the cash settlement was paid to Ms B in 2022 because, in 2020 the schedule of repairs was still being disputed by Ms B following the joint site visit. UKI say they calculated a cash settlement figure but this was never presented to Ms B as she didn't agree to the repair schedule. UKI say they wouldn't have been treating Ms B fairly if they were to make a cash settlement offer and then payment knowing the schedule of repairs wasn't agreed. They say this is evidenced by their email in July 2020 which Ms B didn't respond to until December 2021. UKI say they don't agree to any further award of compensation as the reason for the delay in the cash settlement is down to Ms B receiving an email in July 2020 but not responding until December 2021.

In relation to the contents damage part of the complaint, Ms B says she asked company S what she should do about the uninsured contents. She says they informed her UKI would arrange for the contents to be assessed for any items beyond economical repair and any undamaged items would be taken into storage to facilitate the drying out works. Ms B says she was told not to move anything. Ms B says company S assured her damaged contents would be listed and disposed of and would be done in consultation with Ms B. Ms B says in March 2018, condensation had already formed and was running down the windows – but company S informed her to leave everything where it was, and their contractor would determine how to deal with contents not affected by the escape of water.

Ms B says she raised a complaint in April 2018 as no progress was being made and she was concerned with mould growing on the walls and ceilings. She says there was also an awful smell, and the furniture was showing signs of mould growth. Ms B says UKI reassured her that she didn't need to worry and damage to any contents would be taken into consideration if items were damaged because of delays.
Ms B says early into the claim the majority of the uninsured contents hadn't been damaged by the water and some were moved to drier areas of the property. Ms B refers to an email from company S in October 2018 where they say they agree to deal with the damage to the

carpets as a gesture of goodwill and to consider a payment towards contents that have been damaged beyond repair due to the delay in the claim. Ms B says she isn't claiming for uninsured contents damaged by the initial escape of water. She says it's reasonable though for UKI to pay for all contents damaged as a consequence of UKI's delays.

Ms B says she was never informed that contents would only be removed once repairs started. She says she was informed UKI's contractor would attend to determine which contents could go into storage and which couldn't. Ms B says this was delayed and when some contents were eventually removed in January 2019 to her AA address, they were found to be damaged. Ms B says £3,000 of the £8,000 is for carpets and she doesn't believe the remaining £5,000 is sufficient to cover contents damaged by UKI's delays.

UKI say they feel it's unfair for them to have paid £23,107.50 in storage costs purely because Ms B failed to respond for a 17 month period, despite knowing the contents weren't insured and had failed in her duty of care to take appropriate action.

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 see no reason to depart from my provisional decision. So, I've decided to uphold the complaint for the reasons set out in my provisional decision and copied above, as well as the reasons set out below.

Decision not to carry out repair works and offer a cash settlement

I do acknowledge Ms B's comments about the work which was carried out – and whether some of this falls within the scope set out in the schedule of repairs. Even if some of the work did relate to reinstatement, I don't believe it makes UKI's decision to offer a cash settlement unreasonable. I say this because it's clear from the information I've seen there has been a breakdown in relationship here.

As I've mentioned above, I've seen communications between Company S and UKI over a year into the claim where they explain they've encountered challenges in handling the claim. They explain Ms B continues to disagree and dispute the schedule of works and scope of repairs and this is impacting their ability to progress matters. I accept Ms B says she was asking questions as would be expected from any homeowner, but it's clear company S felt things were being held up and the relationship had broken down. I note Ms B believes the breakdown in relationship – and the decision to offer a cash settlement – occurred when UKI realised the extent of the damage to her property, but I've seen no evidence which persuades me this was the case.

In relation to Ms B's point about UKI changing their settlement terms a year into the claim, I accept why this was frustrating for Ms B. As mentioned, and in the circumstances of this case, I can't say UKI have acted unfairly. I acknowledge Ms B's point about the position being more understandable if UKI had started off with a cash settlement. I agree this would provide a customer with more certainty right from the outset, but in this case, I can see UKI's original position and intention was to carry out repairs, so I understand why a cash settlement wasn't offered at the outset.

I note Ms B's concern about there being meetings and communications between her and UKI during the period UKI and company S were thinking about a cash settlement, and this not being communicated to her at the time. I accept this is something which caused

frustration for Ms B, and that's why I've upheld this part of the complaint relating to the delay in informing Ms B about the cash settlement breakdown.

I acknowledge Ms B always wanted UKI to carry out the repairs – and she still wants them to carry out the reinstatement work. I know Ms B never declined UKI's offer to carry out repairs, but that doesn't mean, in the circumstances, that it's unreasonable for UKI to offer a cash settlement.

Settlement amount for the repairs

In relation to Ms B's point about the cash settlement needing to be based on market rates, I acknowledge Ms B's point, and I recognise the allowance for the flooring will be less than what Ms B has been quoted as the schedule is based on UKI's supplier rates. Given that I've decided it's fair in the circumstances for UKI to base the settlement on market rates, this will ensure Ms B is given a fair settlement which takes into account the likely costs she will incur in arranging the repairs.

I acknowledge UKI's points about their contractual terms and the fact that the policy allows them to cash settle a claim based on their own supplier rates. I accept the policy terms and conditions do say UKI won't pay more than the amount it would've cost them to repair any damage using their own suppliers. But I've determined this complaint based on what's fair and reasonable and taking into account the specific facts of this case. And in this case, given that Ms B has never declined UKI's offer to carry out the repairs, I don't think it's reasonable in the circumstances for UKI to base the settlement amount on their supplier rates.

UKI say they've paid Ms B a settlement amount, but she hasn't yet arranged for any work to be carried out. I acknowledge UKI's point that further damage may likely have been caused to the property while no repairs were carried out but I'm not asking UKI to revise their schedule of works. I'm saying it's reasonable for them to use the schedule of works they have when they carried out their own calculation for a cash settlement, but the settlement should be recalculated using current market rates. I acknowledge UKI's concern about the rates being charged now, but UKI didn't act fairly when originally calculating the settlement.

I acknowledge UKI say they've paid provisional costs that Ms B might not have even incurred, yet they're being asked to increase the settlement amount. UKI say the decision is unfair as Ms B might not even incur these fees and would financially benefit from the claim. UKI say it would be unfair to request they recalculate their schedule of repairs without any evidence of costs/estimates being presented by Ms B. I can't see our service has requested any evidence of repair quotes from Ms B, but I don't believe that's reasonable, or indeed necessary, in the circumstances of this case. I say this because, given that Ms B hasn't requested a cash settlement and her own preference was, and remains, for UKI to carry out repairs, Ms B should receive a settlement amount that reasonably covers the rates she will be quoted when arranging the repairs.

I accept that I haven't seen any repair quotes from Ms B, but I'm satisfied any rates she's quoted will likely be higher than the supplier rates used by UKI. I'm persuaded this is the case because I can see UKI did consider an industry benchmark quote when carrying out their tender process, and this provided a quote which was significantly higher than the supplier quote they used. So my decision remains that it's fair and reasonable for UKI to use the scope they have, but it must be recalculated using market rates. I wish to reassure UKI my decision here hasn't been based on a presumption, but on evidence and applying a test which takes into account what I think is more likely than not.

Alternative accommodation

I've carefully considered Ms B's points about the AA, but I'm not persuaded UKI have acted unreasonably here in not meeting the costs being claimed by Ms B. I accept Ms B has provided tenancy agreements, but as mentioned, I don't think it's unfair for UKI to question why the tenancy agreements were provided so late in the claim. I also don't think they've acted unfairly in declining this part of Ms B's claim given they've seen no evidence which shows rental costs have been paid. I acknowledge Ms B's point about conversations she'd had with UKI about her AA costs being met, but it's clear UKI then had concerns about the information provided and the position changed when their claims validations team had concerns about whether there had been any financial loss. So, while I've taken into account Ms B's points, it doesn't change my decision that it's not unreasonable for UKI to have paid £25,000 as a disturbance allowance and not meeting the costs being claimed by Ms B.

I note Ms B explains there are ongoing court proceedings, and there's a claim for rent which forms part of those proceedings. In my provisional decision, I'd explained my reasoning for not asking UKI to meet any AA costs was because Ms B hadn't provided any evidence that she'd incurred rental costs. In this case, I've decided the complaint based on the information I've seen up to this point. Ms B hasn't provided any evidence of paying rent and I can see she accepts no rent has been paid. So, for the reasons I've already set out, and based on the information I've seen up to this point, I can't fairly ask UKI to meet the AA costs Ms B is claiming.

Delays

I acknowledge Ms B's points about why she believes the £350 already paid and the £650 I'm directing UKI to pay isn't reasonable. I understand Ms B is concerned about the rental income she says could've been received. I do understand Ms B's points about this, but I've looked at the overall impact the initial four-month delay had on Ms B – and for the reasons already mentioned, I think this is fair and reasonable in the circumstances. I've also already explained why, based on the information I've seen and taken into account at this point, I don't believe it would be fair to direct UKI to pay any lost rental income.

In relation to the compensation of £650, I'm looking at the delay from the point when UKI formally offer a cash settlement and then presenting Ms B with a full breakdown – which in this case is two years. It's clear an intention to cash settle was communicated and the information also shows those discussions between UKI and company S progressed to the point they actually started working on some calculations - but Ms B was never kept informed about this. Prior to company S starting their discussions with UKI around a cash settlement, I can't say UKI delayed in dealing with the cash settlement as they were considering reinstatement at this point. So, given the delay – and the impact of this on Ms B – I think £650 is fair and reasonable in the circumstances. I have taken into account Ms B's point about Mr L carrying out the PAT testing himself. While this might not have led to the claim being held up, I'm still satisfied £650 is fair here.

Ms B says in communications around the time UKI and company S were considering a cash settlement, she wasn't ever informed this would likely materialise. I note Ms B's comments about the meeting in March 2022 and what UKI explained the purpose of the meeting was – and I don't doubt Ms B's testimony that UKI didn't at this point explain the schedule would be used to help assess a cash settlement figure. I do accept Ms B's point here, and this is addressed in the fact that I've upheld this part of the complaint about the delay in presenting Ms B with a cash settlement.

I've carefully considered UKI's points about the delay part of the complaint. I acknowledge they say, in 2020 the schedule of repairs was still being disputed by Ms B following the joint site visit. UKI say they calculated a cash settlement figure but this was never presented to

Ms B as she didn't agree to the repair schedule. And I acknowledge they point out they wouldn't have been treating Ms B fairly if they were to make a cash settlement offer and then payment knowing the schedule of repairs wasn't agreed. I can see they've also pointed out Ms B's delay in responding to their email. I have taken these points into account but, as already mentioned, UKI are the experts here and are expected to manage the claim fairly and promptly – and I don't believe they've done that here.

I accept the full repair schedule wasn't agreed at the point UKI and company S were still discussing the cash settlement, but it's clear a cash settlement was calculated in December 2020 – and this was based on the results of a tender process – a process which took place over a year before. As I've already mentioned, I acknowledge the notes show Ms B was challenging the third schedule of works around this time, but I don't think this should've prevented UKI from sharing their calculations with Ms B or even considering an interim payment while further discussions might've taken place about the schedule of works. I can't see any substantive progress was made until a fourth schedule of works was completed in March 2022. I think it's also important to add this was after Ms B complained in December 2021. I do accept Ms B didn't respond to UKI's email in July 2020 within a reasonable period, but for the reasons I've already explained in my provisional decision, I don't believe this should've prevented UKI from taking progressive steps.

Contents damage and storage

I can see Ms B has made extensive representations in support of her view that UKI should pay for all contents damaged as a direct result of their delays in starting the drying out works and their delay in removing the contents. I wish to reassure Ms B I've carefully considered her representations, but there isn't sufficient evidence here to demonstrate, on the balance of probabilities, UKI's delays caused the contents damage rather than the escape of water. That's important here because, there's no dispute between the parties that Ms B didn't have contents insurance. So, for me to direct UKI to pay for any damage to contents, I'd need to be satisfied that UKI's delays were the direct cause of the damage to the contents Ms B is claiming. In this case, and based on the information I've seen, which takes into account the extent of the escape of water and the fact that water did fall on contents within the property, I can't be satisfied the contents damage was more likely than not down to UKI's delays and not the escape of water.

I note UKI say they feel it's unfair for them to have paid £23,107.50 in storage costs purely because Ms B failed to respond for a 17-month period, despite knowing the contents weren't insured and had failed in her duty of care to take appropriate action. I do acknowledge UKI's concern here, but as mentioned above, I don't believe Ms B's lack of response should've prevented UKI from taking progressive steps.

I understand the storage costs are still being met by UKI – so once a settlement amount has been paid to Ms B, in line with the decision I've made, I think it's fair and reasonable for UKI to then work with Ms B and Mr L to arrange delivery of their contents.

Putting things right

I've taken the view that UKI haven't offered Ms B and Mr L fair settlement terms. So, using the schedule of works they did to calculate the cash settlement, they should recalculate this using current market rates rather than their own supplier rates.

If this new amount exceeds the amount originally used by UKI when calculating the cash settlement, then UKI should pay Ms B and Mr L the additional amount together with 8% simple interest per year on the additional amount, from the date they paid the cash settlement to Ms B to the date of settlement. UKI should provide Ms B and Mr L with a

certificate showing any taxation deducted. Also, in addition to the £350 already paid by UKI, they should pay Ms B and Mr L an additional £650 to bring the total compensation paid for this complaint to £1,000.

My final decision

My final decision is that I uphold the complaint. U K Insurance Limited must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B and Mr L to accept or reject my decision before 19 January 2024.

Paviter Dhaddy
Ombudsman