

The complaint

Mrs W has complained about the service provided by Lloyds Bank General Insurance Limited ('Lloyds') under her home insurance policy after her home was flooded.

For the avoidance of doubt, the term 'Lloyds' includes its agents, representatives and contractors in this decision letter. Also 'Mrs W' includes submissions made by her son on her behalf.

What happened

Mrs W's home suffered severe flooding and damage at the end of December 2022. Mrs W's basement flat and contents were submerged in water. This was caused by a blocked and overflowing culvert in an adjacent field, allowing a large volume of water to enter the property following collapse of a garden wall. Mrs W reported the matter to Lloyds who were her insurers at the relevant time.

Mrs W was unhappy about the delays in processing the claim and what she considered to be its mishandling. She said that she and her sons had effectively been homeless, with a delay in Lloyds trying to arrange alternative accommodation. Mrs W was looking for the claim to be settled and compensation to be paid for Lloyds' delays and service issues. Mrs W said that the uncertainty around the claim had caused a severe impact on her health and wellbeing. Mrs W lodged a complaint with Lloyds at the end of January 2023. It offered compensation of £250 for certain service issues. Mrs W then referred her complaint to this service and Lloyds subsequently increased its offer of compensation to £650.

The relevant investigator didn't uphold Mrs W's complaint. She considered that the £650 compensation offered by Lloyds was fair and reasonable for the distress and inconvenience caused by their poor handling of the claim. She made it clear however that she was only investigating the claim up to the date of the final response letter in June 2023. The investigator also noted that Lloyds were still investigating Mrs W's complaint about the costs she'd incurred in relation to the claim.

Mrs W remained dissatisfied about the outcome of her complaint. The matter was therefore referred to me to make a final decision in my role as Ombudsman. I issued a provisional decision in September 2023. This explained why I was minded to uphold Mrs W's complaint as follows: -

'The key issue for me to consider here is whether Lloyds handled Mrs W's insurance claim and responded to her complaint in a fair and reasonable manner. Whilst Lloyds accepted that it hadn't provided a satisfactory service in all respects, I don't consider that its response has been adequate. I explain my provisional reasoning below. In reaching this provisional decision, I've considered the submissions made by each party as summarised below. Mrs W described the distressing events which she'd experienced at the end of December 2022. The entire property and contents rapidly became submerged under approximately five feet of water. She said that her home was uninhabitable from this time. Mrs W and her sons were therefore forced to move out. Mrs W said that she was initially offered alternative accommodation whilst the claim was assessed. She said that the offer of alternative

accommodation was then withdrawn pending validation of the claim.

Mrs W didn't dispute the right for Lloyds to carry out its investigation into cover. However, she said that reference to a first floor flat in the policy documents also came as a surprise to her. She said that prior to Lloyds becoming the underwriter, there was no reference as to what floor the property was on. She thought the most likely explanation was that a default or assumed floor was added to the policy. As to the location of the property close to a watercourse, she said she was only made aware of a previous culvert issue after the incident when a neighbour mentioned it. Also, the culvert was an underground pipe. She said it wouldn't be reasonable to expect someone to know there was a culvert there 'unless they had an intricate knowledge of the groundwork of the site where this culvert is situated.' Mrs W said that Lloyds had repeatedly failed to explain the reason for the delay in the claims process had been due to these issues, despite her asking several times.

By the time Mrs W contacted this service at the end of March 2023, she said that Lloyds hadn't yet responded or made any attempt to resolve her complaint despite chasing for an update on numerous occasions. Mrs W said that; 'The list of excuses is endless and ultimately point to an overwhelmingly poor procedure and practice that is impacting peoples' lives at their most vulnerable.' Mrs W therefore considered that Lloyds had breached its obligations to her as a customer. As at the date of her complaint, Mrs W said that she and her sons were homeless, she was sleeping on sofas and relying on the goodwill of family.

Mrs W said that Lloyds had also denied her repeated requests for accommodation whilst carrying out its investigations. Following its admission of liability, she said it was still failing to provide suitable accommodation. Mrs W said that Lloyds searched for properties using a property service and sent options to Mrs W for her to apply to be a tenant with the usual affordability and credit checks. In one instance, it sent details of a property where there was a need to earn very large sums before she'd be accepted as a tenant. It had also referred properties that were already let by the time they were sent to Mrs W, ones that were unfurnished and ones that were entirely unsuitable for her needs. Mrs W therefore didn't agree that Lloyds had provided suitable property options. She said that a family member was able to supply one of his rental properties for Mrs W's sons to use, which resulted in a loss of rental income to him of £2,250 per month.

Mrs W also stated that the uncertainty around the claims process had taken a severe toll on her health and wellbeing. Mrs W didn't think that £650 was suitable compensation for the distress caused by the unreasonable delays which Lloyds had admitted, or for the time spent and inconvenience in pushing the claim forward. In conclusion she stated, 'Nearly 6 months after the claim event, not a single penny has been paid to her, not a single bed provided to lay on and not a single brick repaired - this cannot be acceptable.' Finally, whilst Mrs W was disappointed that the service's investigation was limited to the period up until Lloyds' final response letter, she understood the reasons for this. In conclusion, Mrs W didn't think the compensation offered and confirmed by the investigator for the period up to June 2023 reflected the level of distress or inconvenience caused. Mrs W said that throughout, Lloyds had demonstrated no compassion or empathy for her situation as a vulnerable customer.

I now turn to Lloyds' submissions regarding this matter. It said that it had initially instructed its response and repair team to attend and provide a damage report and scope of works for the required repairs. A loss adjuster was then appointed to attend and oversee the claim. It then became clear that the whole property was beyond economical repair. It was then treated as a major and complex loss by Lloyds and certain queries were raised. These were responded to in the following month, however this led to further queries. It said that the delays were due to underwriter's necessary investigations and procedures. As for costs which Mrs W said she'd incurred, Lloyds said that this hadn't previously been raised, but it said it would look to review that issue further. It acknowledged that during investigations,

alternative accommodation could've been arranged for Mrs W, on a without prejudice basis. Lloyds sent its final response to the alternative accommodation aspect of the complaint in June 2023. It accepted that Mrs W had queried whether alternative accommodation would be provided. It said that instructions had been given for this to be sourced and that options were found, however due to the unsuitability of the accommodation sourced, it agreed that Mrs W could arrange her own alternative accommodation.

Finally, Lloyds said that the necessary reinstatement works to the property were due to commence in June 2023 subject to asbestos investigations, (however it's not known for the purposes of the current complaint whether these works have yet been completed.) It offered Mrs W a sincere apology for any inconvenience and distress that had been caused during the claim. It accepted that she'd not always been provided with the high level of service it would expect and had therefore increased its offer of compensation from £250 to £650. The starting point for consideration of insurance complaints of this nature are the terms and conditions of the relevant policy. The policy has standard cover for loss or damage caused by flooding incidents. With regard to alternative accommodation, it states that in relevant circumstances, Lloyds would pay the additional cost of similar alternative accommodation for the policyholder and their family, up to a particular limit.

I note that the claim was accepted three months after the flooding incident happened. During this time, queries had been raised by Lloyds as Mrs W's flat was noted as a first floor flat in the policy records, whilst it was a basement flat. Lloyds also wanted clarification on whether the property was within a certain distance of a culvert and whether the property had been previously flooded. I consider that the queries were legitimate queries. The queries were relatively limited however, and Mrs W provided straightforward responses to them. She'd also been regularly chasing for updates at the relevant time.

On a provisional basis, I consider that this process could have been completed much more quickly and Lloyds has itself accepted this point. Whilst the queries were legitimate so that Lloyds could confirm that cover was in place, I consider that this process was unreasonably delayed. This will inevitably have delayed the processing of the claim, the arrangement of alternative accommodation and ultimately commencement of the work. In an already hugely distressing situation, this delay will inevitably have greatly exacerbated the stress and inconvenience suffered by Mrs W by several weeks.

I note that Lloyds also acknowledged that it could have arranged alternative accommodation on a without prejudice basis whilst it was conducting its investigations. On a provisional basis, I consider that Lloyds should have tried to support Mrs W in finding alternative accommodation much sooner. I also note that Mrs W had very reasonably mitigated the extreme difficulties by staying with family while awaiting Lloyds' acceptance of her claim. Nevertheless, I don't consider that Lloyds acted fairly and reasonably during its investigations between January and March 2023. On a provisional basis, due to Lloyds' stance at the time, I conclude that this uncertainty and stress around accommodation will also have been extended by several weeks.

I note that Mrs W also considered that Lloyds hadn't provided adequate assistance in obtaining alternative accommodation during the period April to June 2023. However, I consider that there is evidence that Lloyds had made efforts to source some limited options for Mrs W. I've no doubt that it wasn't easy for Lloyds to provide suitable alternative accommodation in the area in question. The options sourced by Lloyds weren't suitable for Mrs W, and in the circumstances, it appears that both parties agreed that Mrs W would source her own accommodation. On a provisional basis, I can't say that Lloyds has acted in an unfair or unreasonable manner in making attempts to identify suitable properties during this particular period and in agreeing that Mrs W could proceed with her own options. Going forward, Lloyds will be expected to communicate with Mrs W, as part of the on-going claim in

relation to any additional alternative accommodation costs.

Having considered Mrs W's complaint as a whole, I agree with or investigator that the service provided by Lloyds was poor and there was a lack of help and support offered to Mrs W in the distressing circumstances following the flooding of her home. I'm persuaded that this will have caused a significant level of distress and inconvenience which was over and above that already caused by the flooding incident itself.

My provisional decision is therefore that payment of £650 by Lloyds doesn't adequately recognise the delays at the beginning of this claims process, both in ensuring diligent claims handling, and in offering support to find emergency alternative accommodation. I recognise that a significant flooding event and loss of a home and belongings will cause huge distress and inconvenience. Whilst this is outside of the insurer's control, the insurance services deployed in the immediate aftermath, and the prompt and diligent handling of claims is within its control. I therefore provisionally conclude that Lloyds' actions were responsible for substantial additional distress, upset and worry to Mrs W over many more weeks than was necessary. I consider that £1,200 would represent a fairer level of compensation in all the circumstances and would accord with the service's guidance'.

In my provisional decision, I asked both Lloyds and Mrs W if they had any further comments or evidence that they would like me to consider before I made a final 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.

Both Lloyds and Mrs W accepted the provisional decision. Mrs W wished to make a point of correction. She said that Lloyds didn't uphold her complaint initially '*or offer any compensation or acknowledgement of their failings in their initial complaint response*'. She said that it was only subsequent to referring her complaint to the Ombudsman that Lloyds upheld the complaint, offered compensation, and acknowledged there had been failings. She felt it was important to highlight this '*as it is indicative of multiple failing when dealing with the complaint itself - in addition to the claims process.*'

In all the circumstances, I've concluded that the provisional decision provides a fair and reasonable outcome to the matter.

My final decision

For the reasons given above, I intend to uphold Mrs W's complaint and I'm minded to require Lloyds Bank General Insurance Limited to pay compensation to Mrs W in the sum of £1,200 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 31 October 2023.

Claire Jones
Ombudsman