

## **The complaint**

Mr B is complaining about the way Society of Lloyd's (SOL) has handled a claim he made on his commercial property insurance policy.

SOL has appointed another company to act on its behalf, but for ease of reference I shall refer to anything that that company said or did as being said or done by SOL.

## **What happened**

The facts are well known to all parties, so I won't set them out in detail. But, in summary, a significant ingress of water took place in Mr B's property in July 2021. He claimed for the extensive damage to his property against his commercial property insurance policy. Mr B has complained about the way SOL has handled the claim for the following reasons:

- It had been two years from the event by the time he referred his complaint to this Service (in July 2023) and no repairs had started. He said these delays have had a severe impact on him and his elderly mother.
- SOL delayed paying every payment – particularly payments towards his alternative accommodation (AA) and contractor payments. He said this meant he had to pay the rent himself and also some contractor payments. He said he had to stop the drying process in December 2021 because he couldn't afford to pay it. And he said he, ultimately, had to take a loan out at great expense to himself to keep paying the costs.
- He said he tried to contact SOL's loss adjustor continually between May and September 2022, but couldn't speak with him.
- SOL's loss adjustor had a system failure, so lost all of his data. As a result, he says the second of five loss adjustors kept asking him questions he'd already answered. He also highlighted there were regular delays in the loss adjustor replying to emails he sent outlining his concerns.
- SOL's surveyor visited the property in March 2023, but took 133 days to send a settlement offer.
- He believes SOL has not followed the terms of the insurance policy properly and the resulting consequence on his property seems to be irreversible as well as the negative impact on both his and his elderly mother's health.

SOL has issued five responses to Mr B's complaints and in total has offered £2,100 in compensation. It said it would pay 8% simple interest on any payment Mr B had to pay until it was refunded to him. It also said it would consider paying the interest on any loan Mr B took out subject to him providing evidence of it. But it didn't think it was fully responsible for all the delays. It said that it took Mr B around seven months from the property being declared dry to him providing reinstatement quotes. It thought the quotes Mr B provided (around £225,000) were grossly inflated and include a lot of items that the policy didn't cover. It estimated the estimate to be around £100,000 higher than it should be. It appointed it a surveyor who said it expected the cost of reinstatement to be around £127,950.

Our investigator said SOL had handled this claim poorly and it was clear that this had had a significant impact on Mr B. But she thought what SOL had done to put things right was fair.

Mr B didn't agree with the investigator's opinion. He said the amount SOL had paid didn't remotely come close to compensating him for all the pain and suffering he'd experienced. He also reiterated that the property had suffered significantly more damage as a result of these delays. He didn't agree SOL's repair estimate was fair. He explained his quotes were based on inspections done at the time of the water ingress. And he reiterated SOL's loss adjustor had lost all his data – including photos of the property at the time. So he didn't think it was an accurate appraisal of the reinstatement works. Given the extent of additional damage, he maintained the estimates provided by his contractors were the most accurate.

Our investigator said Mr B hadn't raised a complaint about SOL's claim settlement offer. So she said she couldn't consider it in this complaint. And she still thought the amount SOL had offered in compensation was fair.

Mr B still didn't agree with the investigator, so he asked for an ombudsman to decide this complaint.

### **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.

I should first set out that I acknowledge I've summarised Mr B's complaint in a lot less detail than he's presented it. Mr B has raised a number of reasons about why he's unhappy with the way SOL has handled this matter. I've not commented on each and every point he's raised. Instead I've focussed on what I consider to be the key points I need to think about. I don't mean any discourtesy by this, but it simply reflects the informal nature of this service. I assure Mr B, however, that I have read and considered everything he's provided.

I fully sympathise with the situation Mr B has found himself in as a result of this claim. Clearly this was a significant incident causing extensive damage to the property he has owned for a long time. But my role is to consider whether I think SOL – and its agents – have acted fairly – i.e. in line with the terms of the policy, industry regulations and what's fair and reasonable. Where I don't think it has, I need to think about whether it's taken fair steps to put things right.

Clearly SOL has not acted fairly throughout this claim. SOL doesn't dispute that. So what I need to do now is think about whether it's taken fair steps to put things right. I think it has and I'll now explain why.

However, I should also set out that, while I don't think SOL has handled this claim fairly, I don't think it's fully responsible for the fact it's taken so long to start the reinstatement works, as I think some of these rest with Mr B's own appointed agents. Firstly, while I note Mr B has said the property wasn't dry until November 2022, I've seen evidence that SOL's loss adjustor was told the drying was completed in February 2022. I haven't seen anything to show Mr B told SOL or its agent that he'd removed the drying equipment prematurely and that the property was still wet at that time. I can also see he had explained he was waiting for his contractors to provide quotes for the repairs and these were delayed because of its workloads. And Mr B didn't provide the quotes until September 2022. I can't hold SOL responsible for that timeframe.

Following this there was a significant dispute over the reinstatement costs. And I can understand SOL's concerns here. I've looked at the schedule and SOL's comments and I do think some of its concerns that some of the work would amount to betterment were fair – e.g. adding linings and boardings to walls that previous had plaster, a new gully, removing and reapplying screed on areas already dried out amongst other things.

As the investigator set out, I'm unable to comment on the settlement figure SOL has given Mr B as it didn't form part of this complaint. But I can understand why it had concerns with the original figures Mr B's contractors quoted. So it was entitled to dispute this with Mr B. And I can't hold it fully responsible for the extra time this added to the claim journey.

However, as I said, I do think SOL has caused a lot of unreasonable distress and inconvenience. And I note the following, although not an exhaustive list:

- It's not reasonable Mr B had to pay for the AA (with the exception of the deposit) himself. It seems he's also had to pay for some contractor costs at times before SOL refunded them. SOL should have paid these before Mr B became out of pocket. I'm satisfied that this put Mr B into financial difficulties and I'm also persuaded this is why Mr B had to take out a loan to pay for this at great expense. I also understand this put him into arrears on his rent. I understand SOL has agreed to refund the interest charges from October 2022 if Mr B can evidence this. I would have awarded the same, subject to Mr B demonstrating they're arising from payments he's had to make on the claim.
- I can see that Mr B had difficulties contacting his loss adjustor over a number of months.
- In November 2022, he raised a complaint with extensive comments surrounding concerns he had with the loss adjustors comments on the scope of works. But I can't see he got a meaningful response to this for a number of months.
- While I think SOL had fair concerns about the scope of works Mr B provided, it took eight months to finally provide a settlement offer. It should have been more pro-active in its handling of this.
- While I do think a lot of the delays rest with Mr B's contractors providing estimates, I think SOL could have been more pro-active and, potentially, stepped in to obtain its own estimates. I don't think it's fair it just seemingly allowed the claim to drift.

Mr B has set out the profound impact this matter has had on him and his mother's health. But I also have to take into account that it's an inevitable consequence of a claim of this significance that a significant amount of distress and inconvenience is always going to happen. SOL is not required to compensate Mr B for that. But, as I said, SOL has caused a lot of avoidable distress and inconvenience. However, it has offered £2,100 in compensation already. This Service would consider this to be an exceptional award. And it's in line with what I would have awarded. So I can't reasonably require SOL to pay more than this.

So taking everything into consideration, I think SOL's compensation offers, plus agreeing to pay 8% simple interest on any time he was out of pocket, plus the interest charges he's incurred on the loan is a fair way to put everything right.

### **My final decision**

For the reasons I've set out above, I think the way Society of Lloyd's has offered to put things right is fair. And it should do the following to put things right if it hasn't already done so:

1. Pay the compensation – totalling £2,100;
2. Pay 8% simple interest for any time Mr B can show he was out of pocket for any payment he made for the claim. If Society of Lloyd's thinks that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr B how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax if appropriate.
3. Refund the interest charges on the loan Mr B says he took out if Mr B can evidence this and subject to him demonstrating they're arising from payments he's had to make on the claim.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 22 April 2024.

Guy Mitchell  
**Ombudsman**