

The complaint

Mr and Mrs G complain Lloyds Bank General Insurance Limited unfairly refused to pay them alternative accommodation costs as part of their home insurance claim.

Lloyds has been represented by agents for the claim. For simplicity I've generally referred to the agent's actions as being those of Lloyds.

What happened

In 2019 Mr and Mrs G made a claim against their Lloyds home insurance policy. Their home (House A) was suffering from subsidence. Mitigation works were completed in May 2022. Various repairs were required. In July 2022, because of Mr and Mrs G's personal circumstances, Lloyds agreed to provide alternative accommodation (AA) whilst they were taking place. In late September 2022 Mr and Mrs G moved into a property (House B) they had recently purchased. The repairs to House A began in mid-October 2022.

Mr and Mrs G requested Lloyds pay them costs related to six months occupation of House B whilst the repairs were ongoing. The £12,000 total included costs equivalent to rent, removal fees, utility bills and council tax. Lloyds declined. It felt its liability to be limited to covering two months of utility bills and council tax for House A – plus some removal costs.

Mr and Mrs G complained about the decision. They said they were told rental accommodation would be provided for the duration of repairs to House A. They said they were at a financial loss.

Lloyds issued a response to Mr and Mrs G's complaint in February 2023. It apologised and paid £150 compensation for providing some incorrect information about AA entitlement. It explained it would consider additional costs, such as extra energy bills. But said it wouldn't pay any speculative costs, like rent Mr and Mrs G feel they might have received from tenants. In May 2023 Lloyds sent a further complaint response. It paid a further £150 compensation as an apology for not responding quickly enough to a request from Mr and Mrs G.

With Lloyds not agreeing to reimburse rent and other costs Mr and Mrs G came to this service. They say its failure to arrange AA in good time left them little choice but to expedite the purchase of House B – a property they were already in the process of buying. To resolve their complaint they would like Lloyds to pay them the equivalent of £1,500 per month rent for the duration of repairs.

Our Investigator felt Lloyds' decision not to pay any rent equivalent amount was reasonable. He noted the £300 compensation paid for delay and provision of incorrect information. But recommended Lloyds pay an additional £200 in recognition of poor communication with Mr and Mrs G throughout the claim. Lloyds agreed to that outcome. Mr and Mrs G didn't, so the complaint was passed to me to decide.

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.

As this is an informal service I'm not going to respond here to every point or piece of evidence Mr and Mrs G and Lloyds have provided. Instead I've focused on those I consider to be key or central. But I would like to assure them I have considered everything provided.

Mr and Mrs G feel they have experienced a financial loss that Lloyds should cover. They have referred to their policy terms in support of their claim. These say if their private residence is made uninhabitable by subsidence Lloyds will cover:

- Rent they should have received but have lost
- The additional costs of similar short-term alternative accommodation
.....while they cannot live in the private residence.

Mr and Mrs G say they weren't confident Lloyds would find and provide suitable AA that would allow repairs to begin without delay. So they expedited the purchase of a property and moved into it. So they incurred additional costs – or a financial loss.

I've considered Mr and Mrs G's personal circumstances, including their age and health. I accept the uncertainty of accommodation plans will have been concerning for them. I understand why they decided to move in to House B rather than depend on Lloyds. If they had incurred additional costs, and by doing so, had reduced Lloyds' liability, I may say it would be reasonable for it provide some reimbursement. But I'm not persuaded they did incur 'additional costs' (beyond those covered by Lloyds already) or experience financial loss.

Mr and Mrs G were already in the process of buying House B. So it seems they would have purchased it regardless of the need for AA. I'm not certain of the actual completion date. Available records show it as being five days before Mr and Mrs G moved into the property in late September 2022. The repairs to House A, and so their potential need for AA, didn't begin until mid-October 2022. So it seems there was almost four weeks between completion and repairs began.

I don't know the details of the purchase of House B. But it seems likely the purchase process will have begun at least a few months before the completion date. Property transactions aren't usually, to my knowledge, completely in the control of one party. They have a range of interacting pressures, demands and requirements. I don't know if House B was part of a chain. But as an example, it seems likely the seller would have their own timescale demands or requirements for the sale.

I accept Mr and Mrs G may have been able to expediate, or alternatively delay, the purchase to a limited degree. But it seems probable to me, considering how long the purchase process had likely been ongoing, that completion would have happened before, or reasonably soon after, repairs to House A began. So Mr and Mrs G would have incurred the costs for House B, during the relevant period, in any event. That means I can't fairly say they did experience a financial loss or that there were 'additional costs' of rent for AA that Lloyds should cover.

I note Lloyds did agree to provide AA. But that was when it understood Mr and Mrs G would require it. They hadn't explained they would be living in House B. I've no reason to believe, that if Mr and Mrs G had remained at House A, Lloyds wouldn't have gone on to provide for AA.

I'm also not persuaded Lloyds should pay any loss of rent for either House A or House B. I haven't seen anything to persuade me either was likely to be let were it not for the repair work to House A.

As I've set out Lloyds has reimbursed two months costs for House A. It accepts it was uninhabitable due to the main repair works taking place. Following that a skip and some building materials remained on the drive for three months. That was while the reinstatement works for a patio were being disputed. Mr and Mrs G feel the property was uninhabitable during that time. Lloyds doesn't accept that, so has refused further payments.

I accept the presence of the items on the drive and absence of a patio would be an inconvenience for Mr and Mrs G. However, I'm not persuaded it would be enough to make the property uninhabitable. For example access was still possible, kitchen and bathroom facilities were available. So I'm not going to require Lloyds to make any further related payments.

Lloyds offered £300 compensation to recognise some delay and poor communication. It also agreed to our Investigator's recommendation that it pay an additional £200. He felt Lloyds could have provided better expectation management for Mr and Mrs G. There was some delay and failure to respond to Mr and Mrs G requests. There was potentially some delay to final reinstatement of House A. But the impact will have been reduced by Mr and Mrs G residing in House B at the time. Overall the total of £500 compensation is fair and reasonable.

My final decision

For the reasons given above, Lloyds Bank General Insurance will need to pay Mr and Mrs G total of £500 compensation (including the payments referred to above).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs G to accept or reject my decision before 30 November 2023.

Daniel Martin
Ombudsman