

The complaint

Mrs C has complained about her property insurer Ageas Insurance Limited regarding a claim she made when her home was flooded and it said she was under insured.

What happened

Mrs C's property was flooded in October 2021. Ageas appointed a loss adjuster who visited within a few days. He was worried the property was underinsured. It was decided a surveyor would be appointed. The surveyor found the property's rebuild value was in excess of that estimated by the loss adjuster and Ageas confirmed Mrs C as only 19% insured. Ageas noted the repair value was around £17,000 without VAT, and so said it would settle with her in cash on pro-rated basis at £3,459.87. Ageas also required her policy be adjusted mid-term to reflect what it saw as the correct sum insured (which should equal the rebuild value), and Mrs C was asked to pay an additional premium, with the adjusted sum insured remaining for the 2022 renewal.

Mrs C was unhappy. She said the rebuild sum had been miscalculated by Ageas. She said her home was of non-standard construction, as noted by the surveyor, but the surveyor had then completed a standard rebuild calculation. Mrs C said she'd also shown the surveyor her deeds which allow her the right to gather building materials from the surrounding area. Mrs C felt it would cost far less to rebuild her property than Ageas was claiming. She was worried the delay in repair, including the property not being dried, was allowing more damage to occur. When Ageas wasn't prepared to change its position, Mrs C complained to the Financial Ombudsman Service.

Our Investigator noted the expert evidence of the surveyor. She was satisfied that Ageas had fairly and reasonably found Mrs C was underinsured. But she also felt it had caused some delays which would likely impact the repairs. So she said Ageas should pay £1,000 to cover any additional costs Mrs C had and £300 to compensate her for upset.

Ageas accepted the proposal. Mrs C remained unhappy. She provided a rebuild estimate from her contractor. This was sent to Ageas and our Investigator also asked Ageas to gather some more detail from the surveyor about how the specific construction type of Mrs C's property was accounted for when considering the rebuild value. Ageas obtained an explanation, and the complaint was referred to me for an Ombudsman's decision.

I felt it should be upheld because I wasn't persuaded that Ageas had shown it had calculated a fair and reasonable rebuild value. So I didn't think it could fairly and reasonably pro-rate the claim or adjust the policy cover. My provisional findings were:

"Underinsurance

Mrs C arranged a policy via a broker with Ageas. She said the rebuild value for the property was around £100,000. The policy documents for renewal in October 2021 (before the flood) showed the sum insured for the property was set at £105,140. The policy wording links the sum insured to the rebuild value. In short the policy says the sum insured should reflect the

rebuild value and, if it does not, then a claim will be settled on a pro-rata basis. So if the sum insured is only half of the rebuild value, only half of the claim will be paid.

The surveyor, when appointed by Ageas, said the rebuild value for the property was £543,000. Ageas, setting that against the sum insured of £105,140 said Mrs C was only 19.3% insured.

I note the completion of the rebuild calculation by a surveyor. Often an expert opinion like this would be persuasive evidence of underinsurance. But each piece of evidence like this has to be considered on its own merits in light of the situation at hand. Here Ageas' file shows that the assistance of a surveyor was sought initially because of the level of suspected underinsurance. But also, Ageas said, because it wanted an expert opinion given the non-standard construction of Mrs C's property. However, when our Investigator recently enquired with Ageas about how the surveyor had taken the 'non-standard construction' into account when determining the rebuild cost, the answer received was that no adjustment had been made because the property was of standard construction.

I also note that the calculation submitted by the surveyor did use the normal industry calculator that determines rebuild costs for properties constructed by standard methods, using standard materials. The accompanying report notes though that the property is built from stone material, although not stone usually found in buildings, with likely a lime-based mortar. It also notes the age of the property – built at a time certainly when modern day construction methods did not apply. I'm aware that Mrs C shared a copy of her deeds with the surveyor – which she says afford her the right to reclaim materials from the locale for building. I can understand she thinks this would impact the rebuild cost.

I'm not persuaded then that the rebuild value determined by the surveyor can fairly and reasonably be relied upon by Ageas as proof that Mrs C was underinsured. That being the case, I don't think it can rely on the property being underinsured to pro rate the claim settlement for building repairs. I also note that the policy for 2021/2022 was adjusted mid-term to account for Ageas' revised rebuild value/sum insured, with the 2022/2023 premium being similarly affected. I'm also aware that renewal of Mrs C's policy for the upcoming year is due soon, I've not seen those documents, but expect they/the sum insured, will also be based on the unfair and unreasonable rebuild set by Ageas. I intend to require Ageas to resolve all of these issues.

Building reinstatement

Ageas' scope for repairs was completed in January 2022, with the cost of work detailed as £17,871.24 plus VAT. Mrs C, worried damage had progressed, obtained an estimate in February 2023, the cost for work detailed as £21,835, not subject to VAT. To me the content looks broadly similar and the costs are generally comparative. Neither includes any cost for drying though. And I see that Mrs C's quote does contain a caveat that tiling costs might be subject to change. I'm mindful that the property may have dried somewhat and that some damp materials are still to be stripped out anyway. I'm also mindful that the Ageas policy allows for it paying for damage repairs, rather than being one where Ageas would generally seek to undertake the repairs itself.

Having taken the above into account, and bearing in mind I'm not allowing Ageas to settle pro-rata, I think Ageas should pay Mrs C the sum of her estimate, plus interest*. The application of interest is to account for any general change in costs since the estimate was completed. If, once work starts, the contractor Mrs C has appointed, thinks extra work, not covered by the estimate and cost is required – possibly drying or extra tiling for example, which Mrs C wants Ageas to cover the cost of, she will have to seek Ageas' approval. This will likely mean work has to be interrupted and put on hold. That is unfortunate but I think it is

a fair way forward at this time for both parties as it will allow the delayed claim to move on and repairs to start.

If Mrs C wants to submit her meter readings to Ageas – taken in 2021/2022 when Mrs C was trying to dry the property – she can do so. She should also provide copy bills and details of the dehumidifiers she was using. Ageas should consider these as part of the claim. Interest should be applied to any payment made to Mrs C for extra fuel used, from the date she paid any increased sum to the utility company until settlement is made. For interest* to be applied Mrs C will have to provide readings, bills and dehumidifier details to Ageas within one month of the date she accepts my final decision – if it remains the same and she does.*

Policy adjustments

Mrs C's policy in 2021 had a premium of £651.89 and a sum insured of £105,450. Mrs C has said this was adjusted part way through the year and she had to pay an increased premium. I'm not sure what the increased premium was. But as I've found Ageas' rebuild value was unfair and unreasonable, it logically can't be fair or reasonable for that to be applied to the policy in the form of the sum insured. Ageas should reimburse any extra payments Mrs C made to it for the policy year 2021/2022, plus interest on each extra sum paid from the date of payment until settlement is made.*

I've seen the policy document for renewal in 2022. It shows a sum insured of £637,808 and a premium of £990.79. I have to bear in mind though that, by the renewal in 2022, the claim for 2021 would likely have been taken into account in calculating the premium. So I can't reasonably say that the likely only reason for the increased premium is the higher sum insured. I'm going to require Ageas to recalculate the 2022 premium – using the sum insured from the previous policy adjusted by index linking. If the premium is less than that Mrs C was charged for cover for the year 2022/2023, Ageas will have to reimburse her any extra sum she paid, from the date of payment until settlement is made.

I'm aware that the 2023 renewal is pending. Ageas should record the sum insured as that on the 2021 policy, adjusted by index linking to the current date. Mrs C shouldn't have paid anything for the renewing policy yet so there shouldn't be any funds for Ageas to reimburse. Although I may amend my final decision if it looks like some initial payments for the year need to be accounted for. I would hope that the claim will now progress and will be resolved before another policy year begins. Assuming the claim has been resolved then it will be up to the parties what they do in terms of renewing cover next year.

Compensation

The loss adjuster sent a final response letter to Mrs C on behalf of Ageas on 21 December 2022. That is the point to which I can consider Mrs C's distress and inconvenience. At that time she'd had just over a year living in her flood damaged home. There'd been little to no remedial action – I understand Mrs C had run some dehumidifiers for a time but stopped when Ageas wouldn't agree a cost. Whilst Mrs C has had power, the house has been damp, smelly and mouldy – including the kitchen units. I don't doubt that was distressing and inconvenient for her, seriously affecting her daily life over that sustained period. I also note she's spent a lot of time and effort trying to challenge Ageas.

I understand the contents claim was also delayed. In part because of Ageas' concerns about the level of buildings cover. I can understand Ageas having wanted to look into the contents side of things – but the contents claim wasn't settled until October 2022. I've not seen any good reason for that being so delayed. I accept it being on-going and unresolved was an added frustration for Mrs C.

Having taken everything into account I think £1,500 compensation is fairly and reasonably due to Mrs C. I intend to require Ageas to pay this sum.”

Mrs C said she accepted my findings. Ageas' loss adjuster provided further comment, disagreeing with the outcome.

Ageas' loss adjuster said it was disappointing that I had gone against the findings of the professional surveyor. It was felt that appointing a surveyor had been a reasonable way of ensuring the underinsurance was fairly addressed. Also that it was unlikely Mrs C would be able to rebuild her home using items from her locale. The loss adjuster said the delay in the contents claim was solely a knock-on effect of the on-going underinsurance issue.

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 appreciate that Ageas wanted to try and fairly assess the underinsurance, and it acted to do that by appointing a surveyor. But I explained provisionally why, on this occasion, in the specific circumstances of this complaint, I didn't find the surveyor's findings persuasive evidence of likely underinsurance by Mrs C. My view in that respect has not changed.

I don't doubt the potential underinsurance impacted the contents claim to a degree. But the surveyor's report, which Ageas ultimately sought to rely upon regarding settling the buildings claim on a pro-rated basis, was completed in January 2022. I've still seen no good reason for the contents claim then being delayed until settlement was made in October 2022. My views regarding the delay in the contents claim have not changed.

My view on this complaint has not changed from that stated provisionally. My provisional findings, along with my further comments here, are now the findings of this, my final decision.

Putting things right

I require Ageas to:

- Pay Mrs C £21,835, plus interest* applied from 1 February 2023 until settlement is made.
- Consider any extra work/costs found necessary during the repair programme.
- Consider Mrs C's evidence of meter usage for drying the property. If she presents readings, bills and dehumidifier details within one month of accepting my final decision, interest* will need to be applied to any payment for extra usage made to Mrs C, from the date she paid the utility company until settlement is made.
- Reimburse to Mrs C, the extra premium she paid for cover after the 2021/2022 policy was adjusted mid-term to increase the sum insured. For each extra payment Mrs C made, apply interest to the reimbursement sum applied from the date she paid the sum until settlement is made.
- Recalculate the 2022/2023 premium, based on a sum insured equivalent to that initially set on the 2021/2022 policy adjusted in line with index linking.
- If the recalculated premium is less than what Mrs C paid, reimburse her the difference, plus interest* applied on each extra sum Mrs C paid, from the date she paid it until settlement is made.
- Recalculate the 2023/2024 premium, based on a sum insured equivalent to that initially set on the 2021/2022 policy adjusted in line with index linking.
- Pay Mrs C £1,500 compensation.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require Ageas to take off tax from this interest. If asked, it must give Mrs C a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require Ageas Insurance Limited to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 17 November 2023.

Fiona Robinson
Ombudsman