

## **The complaint**

The estate of Ms M complained about Fairmead Insurance Limited stemming from a claim under the home insurance policy.

For ease of reading any reference to Fairmead includes its agents and I've referred to Ms M, one of the executors of the estate, throughout for ease.

## **What happened**

A claim was made under the home insurance policy in relation to an escape of water. A previous complaint was made to this Service in which Fairmead were directed to accept the claim. It arranged for a Loss Adjuster to visit the property and a scope of works (SOW) was completed for the required work costing around £64,000 (including VAT) in February 2021.

Fairmead went on to consider in more detail the extent to which the roof required repairing or replacing and concluded in July 2021 that the roof could be repaired. It thought the roof didn't need replacing as repairs and treatment was sufficient. A copy of the SOW was given to Ms M without the costings in order to consider whether they wanted to source their own contractor. Fairmead went on to put forward a cash settlement of just over £50,000 (excluding VAT) in September 2021 which was consistent with its SOW. But as it didn't receive a response following a number of chases it went on to close its file in December 2021.

Around about a year later Ms M got in touch with the insurer to advise they had gained two quotations for just over double the amount Fairmead offered inclusive of VAT. However, Fairmead reconsidered its position, but it wasn't willing to consider these as the quotes weren't itemised and it felt its offer was fair.

Ms M wasn't happy that Fairmead wouldn't change its offer and thought it should take account of the changing/increasing prices and the difficulties in finding new contractors prepared to take on the work. Ultimately, she didn't think it was fair Fairmead would only pay the amount it would cost its contractors to do the work. So, she complained to Fairmead, and it said that had it been given the opportunity to undertake the work when the quotation was first sent then its liability would have been limited to the amount it is now offering. It wasn't prepared to reopen its offer and address these concerns, so Ms M complained to this Service.

Our Investigator looked into things for Ms M and partly upheld the complaint. Although he didn't think Fairmead should increase its offer of just over £50,000 (excluding VAT) as it was in line with what it would have cost it to complete the works itself. But he didn't think it was fair for Fairmead to just close the claim without making a payment for the amount it thought would be fair to settle the claim. And he thought Fairmead should pay £400 by way of compensation for the delay, lost time, stress, and inconvenience caused. Plus, 8% simple interest for the time they were without the payment from the date it closed the claim until the date of payment.

As Ms M didn't agree the matter has been passed to me for review.

## 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 think this complaint should be partly upheld. I know this will come as a disappointment to Ms M and the executors of the estate as they want a higher amount paid in order to settle the claim, but I'll explain why.

I think it's important to explain I've read and taken into account all of the information provided by both parties, in reaching my decision. If I've not reflected something that's been said in this decision it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is. This also means I don't think it's necessary to get an answer, or provide my own answer, to every question raised unless it's relevant to the crux of the complaint.

I don't propose to go over the finer detail of the issues here as both sides are fully conversant with the claim and what happened. And, as our Investigator explained, I will not revisit the previous complaint as that has been considered separately.

It isn't unusual for consumers to use their own contractors and it is fair for a business to pay a cash in lieu settlement for this. And if a consumer wants to use their own contractors it isn't unreasonable for the business to only pay the amount it would cost them to undertake this work. The policy outlines that Fairmead will *'At our option.....arrange for the work to be carried out or pay the cost of repairing or reinstating the buildings as new...'*

So, given Ms M in advancing the claim wanted to employ her own contractor to complete the outstanding work and a cash settlement was preferred the proposed way of settlement seems fair. And given the quotes provided by Ms M don't sit with the SOW outlined and aren't sufficiently costed I agree that paying the amount it would have cost Fairmead's contractors to pay the claim (£50,664.84 excluding VAT) feels fair. I would expect the VAT position to be revisited and paid if it is shown at a later stage that this was incurred subject to reasonable proof (such as the relevant VAT invoices) in line with our general approach.

I know Ms M feels that her significantly higher quotes should be considered in making the cash settlement. But the delay in gaining the quotations has impacted the costings here and I don't think it would be fair to ask Fairmead to pay more as it wasn't responsible for the delay here, of over a year at a time of spiralling costs. It isn't clear why Ms M delayed getting costings for well over a year, although managing the claim remotely at a difficult time has clearly impacted things. But it is clear that this has contributed to the increased costs, and I can't hold Fairmead responsible for this. I haven't seen sufficient evidence to suggest that Fairmead's original offer was unfair, and I'm satisfied it was in line with what it would have cost Fairmead to undertake the repairs at that time.

Although I can understand why Ms M and the executors want more by way of cash settlement I just haven't seen sufficient evidence to say that Fairmead's original offer, a long time before their estimates was unreasonable. I do accept that Fairmead is likely to be able to get a reduction in costs given its commercial relationships with its contractors compared to Ms M. But this is usual across the industry, and I don't expect Fairmead to have to pay more than it would ordinarily cost it if it undertook the work. And I haven't seen anything to suggest that it could not have completed the work to a reasonable standard for the amount it offered Ms M in July 2021. Although I accept that the cost would increase as the repairs weren't undertaken and the property deteriorated further between the time Fairmead costed the rectification work and when Ms M gained her quotations, but Fairmead isn't responsible for this.

Turning to the delay in advancing the claim and not making the cash settlement as Fairmead closed the claim I agree that it didn't act fairly here.

There appears to have been a breakdown in communication between the parties and a disagreement about the final settlement. And I note that Ms M said they did respond to the loss adjuster and didn't feel it was fair to close the case. So, I don't think Fairmead's steps here, in closing down the claim as opposed to paying Ms M back in 2021, feel fair and it should have paid the claim in line with the offer made. It certainly shouldn't have just closed the claim given the large settlement due after an offer had been made. However, there was also a clear delay on the part of Ms M in getting the quotations and advancing the claim as well.

Given all of this, I think the fair and reasonable thing to do, in the particular circumstances of this case is for Fairmead to pay a cash-in-lieu settlement, in line with the SOW, of £50,664.84 excluding VAT. And to pay 8% simple interest for the time Ms M has been without the settlement as they haven't had the money available from the date Fairmead closed the claim until settlement. Plus, £400 compensation for the stress, delay and inconvenience caused.

### **My final decision**

It follows, for the reasons given above, that I partly uphold this complaint. I require Fairmead Insurance Limited to:

- pay a cash-in-lieu settlement in line with Fairmead's SOW of £50,664.84 excluding VAT;
- pay 8% simple interest on this for the time Ms M has been without the settlement from the date it closed the claim until the date of final settlement;
- consider the VAT position upon completion of the works subject to reasonable proof; and
- pay £400 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M and the estate of Ms M to accept or reject my decision before 6 May 2024.

Colin Keegan  
**Ombudsman**