

The complaint

Mr L complains QIC Europe Ltd's handling of his property insurance claim has been unsatisfactory.

QIC's been represented by agents for the claim and complaint. For simplicity I've referred to the agents' actions as being QIC's own.

What happened

In December 2022 Mr L's property was damaged by an escape of water. He claimed against his QIC home insurance policy. The claim was accepted.

In June 2023 QIC said it was unable to offer a contractor to undertake repairs. It said some ongoing works, that pre-existed the incident, would cause complexity. These included unpainted door ends and staircase balustrade. As a result QIC decided it wouldn't be reasonable to use one of its contractors to make the repairs. So it offered a cash settlement, to allow Mr L to arrange his own contractors. It excluded some items or areas of the property from the claim. It didn't accept they had been damaged by the escape of water.

QIC's settlement for all items it felt were incident related was £3,429, with a potential £685 on receipt of an invoice from a VAT registered contractor. That was subject to a £600 policy excess.

Mr L wasn't satisfied with the offer so made a complaint. He felt it wasn't enough to complete the repairs. In July 2023 QIC responded. It repeated its position about ongoing works. It explained its cash settlement was based on the amount it would have cost it to use its own contractor to undertake the claim related work – rather what it would cost Mr L. QIC said Mr L's policy terms allow it to do that.

Mr L wasn't satisfied with QIC's response so came to the Financial Ombudsman Service. He complained that QIC wasn't willing to undertake the work itself and was offering around one fifth of the actual cost of repairs as a settlement. He said as a result he had been unable to complete the repairs or reside in the property since December 2022. He explained the cost of living elsewhere is causing him financial hardship. To resolve his complaint he asked that QIC arrange for works to be completed and for it to cover the cost of his alternative accommodation (AA).

Our Investigator didn't feel QIC hadn't shown any non-claim related ongoing works would create an issue for a contractor. So he didn't agree it was fair for it to limit its liability to the cost it would incur arranging repairs itself. He said the only evidence it had provided to support Mr L's costs as being excessive was its own preferential contractor costs.

So the Investigator recommended QIC should either undertake the repairs or pay the costs provided by Mr L. He said QIC didn't need to cover the cost of items not related to the leak – he would only expect it to reimburse costs included in its schedule of works. The Investigator was satisfied the property was uninhabitable, so QIC should have arranged AA. So he recommended QIC reimburse Mr L his AA costs. He said QIC should pay Mr L £400

compensation for unnecessary distress and inconvenience. It didn't accept the Investigator's recommendations, so the complaint was passed to me to decide.

I issued a provisional decision. As its reasoning forms part of this final decision I've copied it in below. In it I explained why I intended to require QIC to settle Mr L's complaint by paying him £11,305 (minus any policy excess if QIC chooses to apply it), reimburse him the full cost of his AA with added interest and £950 compensation. I invited Mr L and QIC to provide any further comments or evidence for me to consider before issuing this final decision.

what I've provisionally 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 L and QIC have provided. Instead I've focused on those I consider to be key or central to the issue. But I would like to reassure both that I have considered everything submitted.

I'll summarise my intended outcome. I will then provide my reasons. I intend to require QIC to cash settle Mr L's claim for repairs by paying him £11,305. I intend to require it to reimburse him the cost of AA from the date he moved in until eight weeks after it complies with my proposed settlement (adding simple interest at 8%). Finally I intend to require it to pay him £950 compensation.

Mr L's policy covers him for loss or damage to his buildings and contents caused by escape of water from water installations. Water escaped from a water installation. So the claim appears to be payable.

limiting the cash settlement to what it would cost QIC to use its preferred contractor

I'll explain, for QIC's benefit, what Mr L's policy terms say about settling buildings claims. The terms say QIC can pay a cash settlement for the same amount (I'll call that 'discount rates') it would have cost it to use its preferred contractor to complete repairs.

But the policy restricts QIC's opportunity to settle with discount rates. It says they can be applied when it offers Mr L a choice. That choice being for him to use QIC's contractor to undertake repairs - or to accept a cash settlement for the same amount it would have cost QIC to use the contractor. I'm not aware of Mr L being offered that choice.

The policy specifically states where QIC can't provide repairs through its own contractor it will pay Mr L 'fair and reasonable costs to have the work carried out by his chosen supplier'.

QIC's initial explanation, to this service, was that it can settle at discount rates as the 'ongoing work' would somehow prevent its contractor from undertaking claim repairs. It would add complexities. I'm not persuaded that a competent contractor couldn't successfully separate out the few items, that I accept to be uncompleted, non-incident related work, without risk of future confusion or conflict. The policy terms don't allow QIC to take that approach. Neither would I consider it fair in the circumstances. But I'm not going to give any more explanation on that. I don't feel it's necessary.

QIC's recently explained that it didn't, and still doesn't, have a contractor in Mr L's area. So it turns out its 'contractor', that was unable to deal with the complexities, was purely hypothetical. There never was a contractor available to do the work – regardless of the condition of Mr L's property. Logically if there is no contractor then there can be no amount QIC would have been charged by one to complete the works. QIC's approach to this has been touching on the absurd.

I'm satisfied that its efforts to cash settle the claim based on its discount rates is neither in line with Mr L's policy or fair and reasonable. If it wished to cash settle it should have done so based on a fair and reasonable cost Mr L would incur to have the work carried out by his chosen contractor – as required by the policy terms.

So I intend to require QIC to cash settle the claim based on the reasonable costs to Mr L of using his chosen contractors. I intend to remove its option of using its own contractor (should it be able to find one) for this claim. Neither do I intend to allow QIC any discretion in setting the cash settlement. Having considered QIC's approach to this claim so far, I've no faith that either of those occurrences would likely result in a fair outcome for Mr L. It seems likely QIC would continue to quibble and decline responsibility for claim related damage.

Mr L and his family have been inconvenienced for long enough. So my proposal, whilst perhaps not reaching the perfect outcome, is aimed at reaching a quick resolution for him. If time wasn't an issue I might feel the best approach would be for me to set out exactly what I feel to be claim related damage – and for Mr L to then obtain several quotes for the full scope of work. But that would inevitably cause him further inconvenience and delay a resolution. So for reasons of speed, and fairness to Mr L, I intend to propose a cash settlement based on the information that is currently available. Mr L has said he is happy with this approach.

My starting point has been to total all the individual items and quotes Mr L's provided. I can share this information with QIC. Mr L's listed two doors, buying and fitting skirting, architrave and tiled flooring. He's also provided costs for a decorator, plasterer and a skip.

I've taken into account Mr L and QIC's evidence and comments – including photos, reports and QIC's schedule of works. I've considered and compared the different approaches to the damage from QIC's first and second surveyor. The first found the property to be in a fair state of repair. He noted most of the items Mr L has claimed for as being claim related damage. He found no pre-existing or ongoing building defects or issues that aren't claim related.

The second surveyor took a different approach. He considered likely claim related damage as evidence of Mr L being in the middle of a major overhaul of his home. In my opinion this was the root cause of the problems with the claim. For instance he notes areas of lifted flooring in a hallway as evidence of ongoing building work. He doesn't seem to have considered Mr L's explanation that it was lifted as a result of the leak. Overall I'm more persuaded by the first surveyor and his assessment of the property and claim related damage.

I've considered the individual items Mr L's claimed for. I'm not going to provide a detailed explanation for each. Overall I'm satisfied the relevant damage is of the type expected from an escape of water. I'm satisfied the locations, in relation to that of the leak, make it likely their damage occurred in the escape of water. There may be the odd example, for instance the tiled flooring, where the item was largely but not 100%

complete before the loss. But I'm satisfied there was still claim related damage for these and that its fair, in the circumstances, for QIC to cover the loss.

Turning to Mr L's requested costs. For some of these he's provided quotes or evidence of materials prices from websites. For others he's just provided a figure based on his previous experience. I'm satisfied that these provide for a reasonable outcome. QIC's said one of Mr L's quotes, £5,820, for plastering and other work, is excessive. However, it hasn't provided any persuasive evidence in support – only its imaginary discount rates.

Mr L's requested costs total £10,767. A significant proportion of that appears to be based on quotes from mid-2023 – so are likely, as a result of inflation, to no longer reflect a realistic price. I'm also conscious that additional damage often results from the original being left unaddressed over an extended period - something that in this case is QIC's fault. In addition I think its likely Mr L, in his wish to resolve this complaint, hasn't accounted for all repairs and costs he will likely incur. In attempt to address this I intend to uplift Mr L's proposed costs by 5%. So I intend to require QIC to cash settle Mr L's claim on the basis of £11,305 costs. If it wishes to it can deduct any relevant policy excess from that amount.

QIC should note that some of the costs provided by Mr L, and that the settlement is based on, include VAT. I accept its usual practice to withhold a VAT element until it's been shown to have been charged. However, I intend to require QIC to cash settle in full – including any VAT element. First I'm satisfied Mr L, from his quotes, will likely be using VAT registered contractors for the relevant works. Second I wish to avoid him the likely inconvenience and distress he may experience from further QIC delay and quibbling.

alternative accommodation costs

Mr L's policy says QIC will pay up to £100,000 for the reasonable and necessary costs of AA for him and his family and any rent he may have to pay. This is payable if Mr L cannot stay in his home because it has become unfit for living in following loss or damage insured by the buildings section of the cover.

Mr L and his household moved out of the property around January 2023. He's been paying rent for an alternative residence since then. He says his home hasn't been fit to live in due to the incident damage – and QIC's failure to complete the repairs. In particular Mr L's said the escape of water has damaged support for the bath, leaving it floating. He also feels the electrics are unsafe due to collapse of ceilings.

QIC didn't accept our Investigator's recommendation that it reimburse Mr L what he has paid for the AA. It says the property has been fit for living it, with running water, electricity and the required facilities - including for cooking and washing.

QIC doesn't accept the bath to be unsafe or unusable. However I support the Investigator's recommendation. Photos of the bath do show it to be in a precarious condition. It can be seen through the ceiling below. Some structural timber does appear to be missing.

Mr L's explained there isn't any alternative washing facilities. I understand his household includes his disabled mother and two young children. Having considered the photos of the bath, and the rest of the unrepaired property, I can understand why he considered it unsafe and unfit for his family's habitation. So I consider QIC should have, in line with the policy, arranged AA for Mr L.

It may be that an earlier point in the claim QIC could have shown the bath wasn't unsafe and so AA not necessary. But that chance has passed. The property appears to be unsafe. QIC didn't take any action to address that. Instead it repeated its unjustified and unfair low value settlement offer. As a result Mr L's been unable to undertake repairs.

So QIC's caused the property to be in a poor state for longer than necessary. So even if the policy didn't cover AA costs I'd still feel Mr L's decision to move out was reasonable – and that QIC should cover the costs.

I note the policy says it doesn't cover losses suffered more than 12 months after the date the building became unfit for living in. It wouldn't be fair for this term to be applied to restrict payment to Mr L. So I'm not going to allow QIC to rely on it. Mr L has only been in AA for longer than 12 months because of its poor handling of his claim.

I've no reason to think Mr L has taken up and is paying for an unreasonable standard of AA – considering its cost and his family's needs. So I'm currently satisfied he should be reimbursed the full amount he's paid for it. I've seen, as evidence of payment, a rent statement.

I intend to require QIC to reimburse Mr L what he has paid for AA since the beginning of January 2023. If he accepts my proposed outcome, it will likely take a few months for contractors to complete repairs for him return to his home. So I intend to require QIC to cover the costs of his current AA for a further eight weeks beyond the date it pays Mr L full settlement of the award I make.

As an example – if QIC pays Mr L everything I award on the first day of May 2024 it will need to reimburse him what he had already paid for AA from 2 January 2023 until 30 April 2024. That would be 69 weeks at £140 per week – so £9,660. It will also need to add a further eight weeks to the settlement - £1,120.

As Mr L's unfairly been without those funds due to QIC's handling of the claim I intend to require it to add simple interest at 8%. It will need to apply the interest at 8% to every weekly payment, from the date Mr L made the payment to the date it pays final settlement. Interest will not apply to the final eight weeks payments – as Mr L will be paid that in advance.

compensation

Our Investigator recommended QIC pay Mr L £400 compensation to recognise the unnecessary distress and inconvenience it caused him and his family. I was very surprised to see QIC attempt to negotiate this down to £150.

Mr L's home has been in a state of disrepair for around 14 months now. He and his family have been living away from their home for a similar time. I'm satisfied that had QIC handled this complaint in a reasonable way repairs would likely have been completed significantly earlier – perhaps around March 2023. So by failing to do so its responsible for greatly extending an already inconvenient and distressing experience for Mr L and his family.

QIC's first surveyor set a reserve of £10,777.2. That was based on an estimate of damage at £8,772 with non-visible damage at £2,000. He recommended a settlement of £7,310. That was in early January 2023. So only weeks after the loss. Had QIC

followed this recommendation I think its likely Mr L would have accepted such an offer – or one in the region. Repairs might then have been completed, with the family back in the home, in the Spring of 2023. Instead that stage is unlikely to be reached until at least early Summer 2024.

Unfortunately, instead, QIC decided to offer a settlement at around half that recommended by the first surveyor. Mr L has said its reasons, for limiting the payment, amounted to it clutching at straws. That's a fair description. QIC has repeatedly, even after our Investigator found against it, pointed to minor or unreasonable issues to justify a contractor being unable to undertake the work – and so apply its low settlement. These include a balustrade and an edge of a door being unpainted. It even said Mr L's recently completed kitchen was an ongoing works that stopped its contractor being involved. It's pointed at likely claim related damage to tiled flooring as 'ongoing works'.

Whilst Mr L has shown impressive patience during the claim, I can see the matter has caused him significant frustration and inconvenience. Mr L's seen his home, with its recently completed kitchen, left in a terrible condition. He and his family – including at least one disabled member and two young children – have been forced into the inconvenience of residing away from their home for perhaps 12 months longer than necessary. So to recognise the impact, over such an extended period, I intend to require QIC to pay Mr L £950 compensation.

I will fully consider any further evidence and comments QIC provides in response to this provisional decision. So it can contest my intended outcome if it wishes. However, it may prefer to consider, in the interests of resolving this matter for Mr L as quickly as possible, accepting my proposed outcome.

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.

Mr L didn't provide any further comments or evidence for me to consider. QIC provided some further explanation of its actions. As it accepted the proposed outcome, of my provisional decision, I'm not going to address those here.

I haven't been provided with anything that changes my position on the complaint. That means QIC will need to reimburse Mr L what he has paid for AA since the beginning of January 2023. It will need to cover the costs of his current AA for a further eight weeks beyond the date it makes payment of the full award I've determined in this final decision. To illustrate and explain this further I included an example in the provisional decision.

Simple interest is to be added to the AA reimbursement payment. QIC will need to apply the interest at 8% to every weekly payment, from the date Mr L made the payment to the date it makes the final payment as directed by this final decision. Interest will not apply to the final eight weeks AA costs.

QIC will need to settle Mr L's claim for damage by paying him a cash settlement of £11,305 – it can deduct any applicable policy excess it chooses to. As I explained in my provisional decision QIC is not to withhold any VAT element from this payment. It must make one full payment to Mr L.

Compensation for distress and inconvenience must also be paid – at £950.

My final decision

For the reasons given above, I require QIC Europe Limited to settle Mr L's complaint by:

- reimbursing him the full cost of his AA (plus an additional 8 weeks payment and simple interest as set out above)
- paying him £11,305 (QIC can deduct any applicable policy excess*),
- and by paying £950 compensation*.

*QIC must pay the cash settlement and compensation within 28 days of the date on which we tell it Mr L accepts my final decision. If it pays later than this it must also pay simple interest, at 8%, on both these payments from the 29th day until the date of payment.

If QIC considers it's required by HM Revenue & Customs to deduct income tax from interest paid because of this decision, it should tell Mr L 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 from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 24 April 2024.

Daniel Martin
Ombudsman