

The complaint

Mr and Mrs H are unhappy with how Ecclesiastical Insurance Office Plc (Ecclesiastical) settled an escape of water claim made under their commercial insurance policy.

Any references to Ecclesiastical include its agents.

What happened

Mr H and Mrs H own a holiday home. In July 2020, an escape of water was identified. It's not known when this began as the property had been unoccupied for a long period of time as a result of the Covid-19 pandemic.

Mr H and Mrs H raised a claim. After some back and forth, the repairs began in November 2020 and the first stage of repairs were completed in May 2021. Mr H and Mrs H raised concerns about the quality some of the works in July 2021. Following this, further repairs and drying works were carried out in November 2021. Repairs to the flooring began in late February 2022 and were finished in early March.

Mr H and Mrs H were unhappy with a number of issues around the claim, both in terms of how it was handled and how it was settled, so they complained. They said they had to arrange the repairs around bookings that were in place to mitigate some of their financial losses.

Ecclesiastical responded to the complaint. It offered £500 in recognition of the distress and inconvenience Mr H and Mrs H experienced in relation to the snagging issues. Later, it also offered a further £250 in relation to an issue with some vents. Mr H and Mrs H accepted this in resolution of the point about the vents, but still remained unhappy with the overall handling of the claim.

The complaint was considered by one of our investigators who said for the most part, Ecclesiastical's response to Mr H and Mrs H's complaint had been reasonable. He considered the compensation should be increased by a further £300. He also said part of the claim, in relation to the bathroom floor sub-structure, should be reconsidered.

Neither side accepted this conclusion, with both sides making further representations on certain points. Our investigator issued a second opinion, reaching the same overall conclusion. However, as an agreement couldn't be reached, this matter has been 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.

There have been a number of different elements to this complaint, and some have been resolved. So, whilst I have considered all the available evidence and information, my decision here focuses on those issues outstanding that I consider to be most relevant. I trust

neither side will consider this a discourtesy, recognising instead it's a reflection of our informal role.

Having considered everything, I've reached the same overall outcome as the investigator. I appreciate that's likely to be a disappointment for Mr H and Mrs H, but I've given the reasons for my decision below under the same broad headings used by the investigator.

Loss of income

This is the primary concern for Mr H and Mrs H. Unfortunately, it's not possible to know exactly what income Mr H and Mrs H would have received from letting out their property if the escape of water hadn't happened. They'd only been letting their property out for a couple of years before the Covid-19 pandemic resulted in a national lockdown, with the escape of water occurring during this time. This means there isn't a consistent, historic income Mr H and Mrs H can rely on to show what they would have received.

My role here isn't to decide what payment Mr H and Mrs H should receive in respect of this part of their claim. Rather, it is to set out an outcome I consider to be fair and reasonable in the circumstances of the complaint, not to provide an actuarial service. In this section of my decision, I'll be setting out whether I'm persuaded Ecclesiastical acted fairly in the way it considered and settled this part of the claim.

Mr H and Mrs H have detailed their concerns across a number of different documents provided to both us and Ecclesiastical. They've also provided many different models which they say evidence what income they would have received. These figures differed but broadly speaking they expected to have an income in the region of £56,000 during the indemnity period. They've also said they felt there was, essentially, a back-and-forth approach in sharing different approaches to modelling the lost income. But they say key points they raised, such as asking for comparable properties to be considered and the impact of lockdown, weren't considered when the offer was made by Ecclesiastical.

Against this background, Ecclesiastical appointed an independent expert to carry out a set of calculations to determine the loss incurred by Mr H and Mrs H. And I think this was a fair and reasonable approach to take. I'm also satisfied the approach taken by the expert in calculating the loss of income was fair and reasonable and I'll explain why.

The policy schedule showed a maximum indemnity period of 24 months and Ecclesiastical ended the 24-month period of loss in July 2022. Given the condition of the property when the damage was discovered in July 2020, it's evident the leak occurred before July 2020. So, I'm satisfied the decision taken by Ecclesiastical to calculate loss of income up to early July 2022 takes the offer made beyond what Ecclesiastical was required to consider under the policy terms and conditions, and therefore was of benefit Mr H and Mrs H.

Whilst this was a complex claim and involved a number of factors, I consider the key document setting out why Ecclesiastical had made the offer it did was the email dated 10 August 2022. In this it summarises the starting point for calculations as being based on 100% occupancy, but for Covid-19 restrictions and periods earmarked for personal use. It's also made allowances for seasonal adjustments and acknowledged adjustments and assumptions put forward by Mr H and Mrs H in their calculations and has incorporated these into the final set of calculations.

There have also been other adjustments around the commissions and cancellation charges, as well as various savings made by Mr H and Mrs H during this time, which need to be factored in. And I'm satisfied the challenges Mr H and Mrs H put forward to those

calculations, including references to comparative properties and the impact of the remedial works, have been carefully considered.

Overall, the calculation of loss carried out by the business interruption expert came out at just over £26,000. Ecclesiastical then increased this amount further to £28,000. I'm satisfied this uplift, along with the extension of the timeframe covered by the calculations, means this part of the claim has been fairly considered by Ecclesiastical. I'm not going to require them to do anything further to put things right.

Claims process and interacting with specialists

I appreciate that making a claim, especially one in circumstances such as this, can be stressful. And here, there were a number of different parties and contractors involved which I can see made working through the settlement process challenging. I can also see there were elements of confusion – for example when the kitchen retailer and model was misidentified, and which elements were being covered under the claim (like the heating pump).

Though I think it's helpful to set out here, I don't agree with Mr H and Mrs H's view they received pushback from Ecclesiastical on certain elements. In settling a claim an insurer needs to consider how much it will cost to carry out any remedial works required. And that's what I consider happened here. Ultimately, this was a complicated claim with a number of different elements that needed to be worked through at any one time.

I haven't seen anything in the file which suggests the claims process was intentionally made difficult for Mr H and Mrs H, or that any agents working for Ecclesiastical were obstructive. I accept there were some issues during the claims process Mr H and Mrs H found challenging. Mr H and Mrs H have suggested they weren't asked to sign off on certain repair works, but again that's not usually what happens when remedial works are carried out. It's for the insurer to carry out a lasting and effective repair but, as Mr H and Mrs H experienced, this doesn't in itself prevent any snagging issues.

I understand the impact this claim has had on Mr H and Mrs H. However, working with the contractors was always going to be an integral part of this claim being settled. Ecclesiastical acknowledged there were occasions where their contractors' behaviours weren't up to the standard they'd expect. And whilst there were other moments where Mr H and Mrs H sought clarity or there were some mixed messages, I'm still of the opinion this was likely to have occurred to some degree or other given the complexity of this claim. So, while Mr H and Mrs H experienced some inconvenience and upset, I don't think it warrants an award of compensation. I'm therefore not going to ask Ecclesiastical to take any steps to put things right in respect of this element of their complaint.

The drying of the bedrooms

Mr H and Mrs H were unhappy that the second and third bedrooms weren't included in the drying out of the property, despite them saying they were initially told these rooms would be included. Against this background, Ecclesiastical said their loss adjuster hadn't confirmed drying or repairs needed to be carried out in either bedroom.

I've reviewed the evidence on the file. In order for me to say Ecclesiastical acted unfairly and should carry out the repairs requested by Mr H and Mrs H; I'd expect to see clear evidence there was damage caused to these two bedrooms by the escape of water. But I'm not persuaded this has been shown. I note that Mr H and Mrs H have said that these rooms experienced some damage and therefore required redecoration. However, they haven't

provided evidence to Ecclesiastical, or the Financial Ombudsman Service, to show more likely than not, these rooms were directly damaged by the escape of water. On this basis, I'm not requiring Ecclesiastical to take any further action in relation to this element of their claim.

Damage to the exposed floorboards and bathroom floor

I'll first consider the concerns Mr H and Mrs H had about the exposed floorboards. It's not in dispute the remedial works to the exposed floorboards needed to be carried out for a second time. And it's not in dispute these works were arranged for a later time, to reduce the impact on Mr H and Mrs H's existing bookings.

Mr H and Mrs H felt it wasn't reasonable of Ecclesiastical to initially opt for the lower of the two quotes provided when they preferred the contractor whose overall cost was slightly higher. However, I note Ecclesiastical did later agree to instruct Mr H and Mrs H's preferred flooring contractor and they carried out the works (albeit, later than planned and beyond anyone's control as a result of the Covid-19 pandemic). Whilst Mr H and Mrs H may have found the initial response from Ecclesiastical frustrating, I can't see they've been disadvantaged as a result of this initial approach.

I'll turn now to the bathroom floor. I note the floor finishes and ply were replaced, so here I'm referring only to the sub-structure.

Mr and Mrs H say they were initially informed by Ecclesiastical that some work needed to be carried out to the floor sub-structure but Ecclesiastical dispute ever providing this advice. I've considered the email from the surveyor who noted the floorboards in the bathroom had blackened as a result of "*long-term water exposure*". He also noted the condition of the floor was impacted by the age of the property before the escape of water.

I acknowledge the bathroom flooring may have been in a condition that means it doesn't meet current, modern standards. Though I'll say this isn't surprising given the age of the property, it also doesn't preclude Ecclesiastical from carrying out repairs to damage caused by this escape of water.

Given the bathroom was submerged by the escape of water, I'm not persuaded Ecclesiastical have done enough to show which part of the damage to the bathroom flooring was pre-existing and which part was caused by this escape of water. So, on this basis, I'm intending to require it to reconsider this part of the claim. If Ecclesiastical is not able to separate out the damage caused by the escape of water, from the pre-existing damage then I would expect it to at least make a reasonable contribution to the cost of repair of the sub-structure. Once Ecclesiastical have re-considered this part of the claim, if Mr H and Mrs H remain unhappy with the claim decision, then they may raise a new complaint to Ecclesiastical in relation to that.

Cupboard damp and odour problems

Mr H and Mrs H say the location of the cupboard means it was damaged by the escape of water from the first floor. Mr H refers to a discussion with a contractor who said the only way to alleviate the odour would be to remove and replace the wood.

But what is key here is whether the cupboard was damaged beyond repair during the escape of water. The scope of works didn't allow for stripping out the cupboard. Mr H and Mrs H say remains damp (though I acknowledge they say as a result of other repairs, the cupboard was largely replaced). There are various reports showing the building was dried, supported by moisture readings showing as stable for a week. I think had the

cupboard been damaged and needed be further repaired, it's more likely that not it would have been identified and recorded on the scope of works.

That's not to say I don't accept there might have been a problem with an odour. I note there was an agreement for vents to be installed as part of the remedial work. Against this background, there's also a suggestion the odour could be coming from the outside of the property. However, I'm not persuaded Mr H and Mrs H have shown this cupboard was damaged by the insured event they've claimed for. I'm therefore not going to require Ecclesiastical take any further action in respect of this part of their claim.

The impact on Mr H and Mrs H

It's often the case that making an insurance claim can be stressful. And, as Ecclesiastical said in its final response letter, it's also often the case some minor snagging issues may be outstanding once the main repairs have been completed. So, we wouldn't usually recommend compensation just because a claim has been made and a consumer experiences some level of inconvenience. So here, I'll be considering how Ecclesiastical's handling of the claim has impacted Mr H and Mrs H, beyond what they would likely experience in any event, in circumstances where their property has been damaged by an insured peril.

It's accepted by Ecclesiastical there were repeated snagging issues which had to be resolved. Some of these were avoidable. But they significantly impacted Mr H and Mrs H because they required Mr H and Mrs H to make additional visits to the property, which is several hours away from where they live. So, while some snagging issues might have been unavoidable, given the extent of the repairs undertaken, there were certainly snagging issues that were avoidable. This was recognised by Ecclesiastical and provided the basis for its offer of £500 compensation included in their final response.

Mr H and Mrs H expressed concern about the way the claim was managed. They've referenced numerous emails and attachments to those emails. They've said these was difficult to work through. And there's a balance here because there are some elements of the claim which were really complex (such as the loss of rent) and required significant amounts of data to be shared. Whilst I note Ecclesiastical did offer a conference call towards the end of the claim to discuss the loss of income issue, I think they could have considered if there were alternative ways to communicate with Mr H and Mrs H about this part of their claim when it became clear they were finding that method of communication challenging.

I think Mr H and Mrs H were upset by the position taken in respect of the bathroom floor. As I've said already, I'm not persuaded this part of the claim was fully considered. And the worry around this given the intended use of the property is demonstrated in their emails. There is a clear concern about the property not being up to the advertised standard and the potential impact this might have on their business. I can't award for something that hasn't happened, but I do consider there has been avoidable worry and distress experienced here. The investigator also highlighted concerns around the length of time it took for repairs to be carried out, and the interactions Mr H and Mrs H had with some of the contractors.

I therefore don't think the £500 compensation offered by Ecclesiastical goes far enough to put things right for Mr H and Mrs H. Having considered all of the available evidence, I've arrived at the same conclusion as our investigator, that a total award of £800 (including the £500 offered by Ecclesiastical) for the distress and inconvenience Mr H and Mrs H experienced is appropriate in their circumstances.

My final decision

My final decision is that I uphold this complaint. To put things right, I require Ecclesiastical Insurance Office Plc to:

- Reconsider the part of this claim about the sub-structure of the bathroom floor.
- Pay a total of £800 (less any payments already made) in relation to the distress and inconvenience Mr H and Mrs H have been caused by its handling of the claim.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mrs H to accept or reject my decision before 18 April 2024.

Emma Hawkins

Ombudsman