

## **The complaint**

Mrs M has complained about the way U K Insurance Limited trading as Prudential Home Insurance (UKI) dealt with a claim she made under her home insurance policy.

Mrs M is being represented by a Loss Adjuster who I will call 'B' for ease in my decision.

## **What happened**

Mrs M made a claim for damage to her home caused by an escape of water in November 2021.

Mrs M appointed a Loss Adjuster 'B' to deal with the claim on her behalf. UKI instructed a Loss Assessor (LA) to deal with Mrs M's claim. Mrs M needed to move out of her home into alternative accommodation (AA) due to the extent of the damage and reinstatement works required.

UKI's LA made a series of cash settlement offers to B. Mrs M had provided quotes from B and other contractors. The quotes were for more than the offers she received.

Mrs M complained to UKI. She was very unhappy with the difference between the costs she was quoted to carry out the reinstatement works compared to the cash settlement offers from UKI. The low settlement offers had led to delays. Mrs M had instructed a contractor to begin works for health and safety reasons – and was having to pay for these works herself.

In August 2022 UKI upheld Mrs M's complaint and said it would arrange for its appointed LA to reconsider the scope of works and costs. It had previously agreed for a second visit to Mrs M's home – but later said this wasn't of benefit, due to works having begun to reinstate the property.

In September 2022 UKI made a final cash settlement offer to Mrs M and paid it to her bank account.

In February 2023 B on behalf of Mrs M brought the complaint to us. He said the settlement offer was well below what it was costing Mrs M to complete the reinstatement works. B said UKI hadn't properly considered and settled Mrs M's claim for AA – and for the difference in costs for utility due to drying out of the property.

UKI told our Investigator it would consider Mrs M's claim for any difference in AA costs compared to what it paid her subject to proof of payment. And it said it would consider Mrs M's claim for additional utility costs subject to proof of bills before and after drying was carried out.

UKI said its cash settlement offer was reasonable.

The Investigator thought UKI had acted fairly in paying a cash settlement based on what it would pay its approved contractors to carry out the reinstatement works. But she thought it should pay VAT in addition to this settlement – subject to proof provided by Mrs M. She recommended UKI pay interest on any VAT payments at a rate of 8% simple interest from the date Mrs M paid to the date UKI reimburses her.

Our Investigator thought UKI should meet the full costs with interest of AA, subject to proof provided by Mrs M. And she thought UKI should meet the costs of the difference in Mrs M's electricity bills for the time her property was being dried out, again with interest and proof.

The Investigator found that there were delays caused by both parties. For the delay caused by UKI in providing low settlement offers, she recommended it pay Mrs M £300 compensation.

Neither B nor Mrs M replied to the Investigator's view. UKI didn't agree it should pay any compensation as it said Mrs M had caused delays. It says it doesn't need to pay any more in terms of the settlement, but will consider any new evidence Mrs M provides for her claims for AA and higher electricity bills.

So as UKI doesn't agree, the case 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.

Under UKI's policy it says how it will settle a claim. Mrs M provided UKI with quotes from alternative contractors to carry out the works on her behalf. Mrs M's policy with UKI says the following in these circumstances:

*"If we can repair or rebuild the damaged part, but we agree to use your suppliers or make a cash payment, we will only pay you what it would have cost us using our suppliers and therefore the amount you receive may be lower than the cost charged by your suppliers."*

Mrs M and B on her behalf were in communication with UKI and its LA between April 2022 and September 2022 where an initially low offer was subsequently increased by UKI until the final cash settlement which it paid in September 2022.

I don't think UKI was responsible for any delays from the time Mrs M registered her claim in November 2021 until April 2022. But I think the fact that UKI agreed to subsequently increase its cash settlement offers shows that it acted unreasonably in deciding its initial offer. And so this led to Mrs M and B having to continue to go back and forth to dispute the settlement at an already stressful time for Mrs M. During this period, Mrs M instructed a contractor to begin reinstatement works because her home was like 'a building site'. She explained to UKI that her elderly mother would visit her home and on one occasion had fallen. Mrs M says this was due to the unsafe condition of her home.

UKI agreed in August 2022 to arrange for a second visit to Mrs M's home so that the costs for the reinstatement works could be reassessed. However, this agreement was subsequently cancelled by UKI.

I think UKI is responsible for a delay between April and September 2022. For the distress and inconvenience caused by UKI, I think it should pay Mrs M £300 compensation.

However, in line with the policy terms, I think UKI did reach a final cash settlement in a reasonable way, in line with its LA's commercial rates and the policy terms. So I'm not asking it to increase this to match the quotes Mrs M received from alternative contractors.

Mrs M is unhappy that UKI hasn't fully considered her claim for AA costs. UKI says it will consider any proof of additional payment to what it has already paid Mrs M. I think this is fair. And it says it will review Mrs M's electricity bills to see the difference in usage while drying out was being done to her home before reinstatement works.

The LA on UKI's behalf says the cash settlement UKI paid is exclusive of VAT. In line with our approach, I think UKI should reimburse Mrs M for any VAT costs (up to the threshold of the cash settlement offer) subject to proof of VAT paid by Mrs M.

## **My final decision**

My final decision is that I uphold this complaint in part. I require U K Insurance Limited trading as Prudential Home Insurance to do the following:

- Pay Mrs M's claim for the difference in electricity costs, subject to evidence of those increased costs.
- Pay any additional alternative accommodation costs, subject to evidence of these costs.
- Reimburse Mrs M for VAT costs paid, subject to evidence that VAT was incurred.
- Pay interest on the above amounts at a rate of 8% simple interest a year from the date Mrs M paid to the date of reimbursement.
- Pay Mrs M £300 compensation for the distress and inconvenience caused.

U K Insurance Limited trading as Prudential Home Insurance must pay the compensation within 28 days of the date on which we tell it Mrs M accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 8 March 2024.

Geraldine Newbold  
**Ombudsman**