

The complaint

Mr S and Miss B complain about U K Insurance Limited's ('UKI') response to and proposed settlement of their home insurance claim.

UKI are the underwriters (insurers) of this policy. A large part of this complaint concerns the actions of their appointed agents. As UKI accept they are accountable for the actions of their agents, in my decision, any reference to UKI should be interpreted as also covering the actions of their appointed agents.

What happened

The background to this complaint has taken place over a number of years and is well known to the complainants (Mr S and Miss B) and the respondent business (UKI). Rather than repeat what is already known to both parties in this complaint, in my decision I'll focus mainly on giving the reasons for reaching the outcome that I have.

Mr S and Miss B had a home insurance policy with UKI. In October 2020, their home was flooded. They notified UKI that they wanted to make a claim against their policy. UKI accepted the claim and reinstatement works began. Some issues and delays later developed, primarily around the standard of works and UKI changed contractors on a number of occasions.

Mr S and Miss B made a complaint and referred it to our Service for consideration. Another Ombudsman sent their final decision to both parties in March 2023, covering the period June/July 2021 up until November 2022. That Ombudsman found some issues with the service provided by UKI and partially upheld that complaint.

A further complaint was then raised with UKI and referred for our consideration by Mr S and Miss B about issues afterwards – mainly around further service issues, the scope of repairs and the claim settlement. Whilst the complaint was with our Service, UKI made an increased offer to settle the claim. Our Investigator considered the complaint and most recently recommended that UKI's offer to settle the claim was fair. As Mr S and Miss B didn't accept, the complaint was referred to me for a decision.

I recently sent both parties a copy of my provisional, intended findings. As the deadline for responses has now passed, I've considered the complaint again for a final decision.

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.

Our Service is an alternative, informal dispute resolution service. Although I may not address every point raised as part of this complaint - I have considered them. This isn't intended as a discourtesy to either party – it simply reflects the informal nature of our Service.

Responses to my provisional decision

Both parties confirmed receiving the decision and have provided comments. I have referred to their comments (where appropriate) in my decision below. But as no new evidence has been presented that materially changes the outcome I'd intended to reach, I don't find any reason to fairly deviate from my earlier provisional, intended findings and they form the basis of this, my final decision.

I understand that Mr S has disputed receiving compensation that another Ombudsman awarded. UKI have told us that "...the customer did not accept the decision outcome, so the payment was not issued." My decision does not at all consider the earlier Ombudsman's decision, but I can confirm that if a customer does not accept the final decision within the specified time frame (usually four weeks from issue), then that final decision *does not* become legally binding and it would be at UKI's discretion as to whether or not they paid that earlier £800. In Mr S and Miss B's case, they told us in an email dated 15 March 2023: "*We have not accepted this decision.*"

The scope of my decision

As our Investigator has already stated, our Service generally can't revisit a complaint once we've issued a final decision. I restate this point as some of the issues still in dispute in this complaint were originally addressed in another Ombudsman's decision. I can't revisit those in this decision, but I can consider events after November 2022.

Following our Investigator's assessment in September 2023, UKI arranged an inspection of the property. They increased their cash settlement offer to £45,000 (including £5,000 towards electric, storage, council tax and contents return costs) and £5,200 for 16 weeks alternative accommodation whilst works would be ongoing. I also note in their offer UKI state: "*If they're not agreeable, we would require them to support all costs they're asking to be considered/covered. We are happy to discuss the above proposal with the insureds.*"

In summary, my decision will consider whether that latest offer is fair (as it is an extension of a response to the complaint referred to our Service) and/or if UKI need to do anything further to put things right. I'll largely concentrate my findings on the final response letter dated 6 July 2023 and Mr S and Miss B's rejection of the latest cash settlement offer dated 5 December 2023.

The electrical works

Mr S and Miss B have maintained that the electric works were done at the instruction of UKI. I haven't found sufficient supporting evidence to support this position. I say this because an electrical report dated 21 October 2021 shows that the circuits presumed affected by the flood were satisfactory. Some non-flood related upgrades were stated.

UKI have confirmed that they agreed to cover some very minor electric related works as part of their scope – a cracked socket in the hallway for example and the moving of the fused spur to the solum pump to a better location.

In my opinion, it's apparent that although it made sense for Mr S and Miss B to have their private works carried out at the same time as the wider repairs, this did contribute to overall delays that UKI aren't responsible for. I also note Mr S and Miss B's point about acting on the instructions of UKI, but based on the evidence, I don't agree with them. I'll explain why below.

Their main email Mr S and Miss B are relying on is dated 26 January 2021:

"There will be some electrical works required in relation to the kitchen fitting and

*socket/switch removals for replacement of plasterboard to walls and these will be done as works progress and costs confirmed to me by [Agents name redacted by Ombudsman]. You will note on page 2 that the electrician has made recommendations for upgrades to the system to bring it up to date but these are not required to restore the system to its pre-loss condition or comply with current regulations. However, **I suggest that you consider having the consumer unit replaced at your earliest convenience.** [bold added for emphasis by Ombudsman] This would deal with items 1-3. We can pick up the replacement of the cracked socket as part of the works given the only cost would be the supply cost for a new double socket."*

In my opinion UKI were making it clear that very limited electrical works would be needed and they wouldn't be related to the loss event, but their customer should consider having the other recommended upgrades looked at.

In a later email to all parties dated 8 August 2021:

*"Electrics – All works to now be undertaken by [Mr S and Miss B's names redacted by Ombudsman] contractor. They are to provide a quote for the works. Please find attached a copy of the initial inspection report which confirms that the system is satisfactory. Other than the relocation of the socket for the pump, I would expect that **the works would only include for reinstating socket/switch plates and final certification.** [bold added for emphasis by Ombudsman] In addition, the electrician will need to include for taking down the light fittings to the ground floor rooms ready for skimming and re-fitting on completion."*

And other UKI email to their agents dated 26 October 2021:

"To be honest I am reluctant to get our own electrician involved as it has been [Mr S] who has been doing most of the electrical work himself and as you know he is not an electrician. How can we certify the electrics as being safe when it's an unregistered / DIY job which has been carried out on the electrics. [Agent's name redacted by Ombudsman] has advised that [Mr S] was splicing cables and adding extra length to the existing cables as he was moving the location of sockets etc."

I note that Mr S disputes having undertaken electrical works himself. Finally, an email from UKI to Mr S and Miss B dated 31 October 2022, following an inspection, states:

*"Electrical repairs – **Insurers contractors did not undertake any electrical repairs.** [bold added for emphasis by Ombudsman] I have been advised that this was due to the fact that private works were being completed and they were therefore unable to certify any works completed by others. My understanding is that a copy of the initial electrical inspection report was passed to you for review. The damage as a result of the flood was minimal, however there were a number of recommendations made to upgrade the electrical system. **Insurers will therefore consider reasonable costs incurred by you for the flood damage reinstatement works completed.** [bold added for emphasis by Ombudsman] They will however be unable to arrange for a contractor to complete further electrical works or to certify the works completed by others."*

Although I'm satisfied that UKI did not undertake any significant electrical works and have made an allowance in their settlement offer, it seems that electrical/wiring issues occurred as this claim progressed.

A major point of contention has been Mr S' assertion that UKI 'took down all of the walls and

left the electrics exposed...' and '...then put all the walls back up and walled in the electrics and refused to do anything with electrics.' In response to my recent provisional decision, UKI have said:

"The switches and sockets etc. were removed in order to renew the plasterboard.

The cables were left behind the plasterboard with a view to them being pulled through by the electrician when the switches and sockets were ready to be refitted.... In relation to the electrical work, the costings of pulling through the cables has been allowed for in the settlement offer recently made."

I'm therefore satisfied that UKI have fairly responded to this aspect of the claim/complaint.

Mr S has recently told us: *"The invoice previously issued and attached was for fixing all the walled in electrics for plugs and switches. The only thing outstanding is the lighting as the contractor threw out the brackets for mounting the old lights and some of the lights themselves so need to be replaced."*

Based on what I've seen, limited electrical works on behalf of UKI occurred. I arranged for our Investigator to provide UKI with sight of the recently provided photos of the missing light brackets/fittings. UKI have told us:

"the contractor has no recollection of the light brackets. We're aware that others had access to the property, ie the strip out contractor, as well as the customers..... However, with a view to bringing this matter to a conclusion, if we can be notified of the rooms the fittings are missing, we can review with a view to adding a reasonable replacement cost to the claim settlement."

I find this to be a fair and reasonable response to this aspect of the claim/complaint.

Was the house habitable?

Mr S and Miss B have insisted that their home was not habitable and, as a result, UKI's offer doesn't go far enough to recognise the impact on them and costs incurred.

The policy doesn't define 'habitable', therefore I've applied a fair and reasonable interpretation of its' meaning. A commonly accepted, reasonable definition is:

'a place is habitable, if it is good enough for people to live in.'

It's important to be clear here that there will be a difference between a property being 'ok' to live in, versus how it was pre loss. What I'm saying is - not everything had to be 'perfect', but it had to be at an acceptable standard where Mr S and Miss B were safe, with basic amenities.

The facts are that the property did have electricity. Of course, it was far from ideal that downstairs required a cable being run from upstairs. The property also had heating. Again it was far from ideal that the heating came from plug-in heaters and I've no doubt these won't have been as effective as Mr S and Miss B's central heating system.

I've noted Mr S and Miss B's comments about the property being unsafe to live in with children and dogs also at the property - but I've not seen sufficiently persuasive supporting evidence to conclude this was the case.

However, I do agree that there seems to have been a lack of washing facilities as the

shower hadn't been fully installed and it seems some lights were not working. Mr S and Miss B have recently told us the not completed shower was the only accessible option for their family to wash, but UKI have said that there was another bathroom within the property. Mr S has responded to say that bathroom was not connected up or usable.

On balance, I'm not persuaded that these issues in isolation (including Mr S' recent comments) are solely the primary reasons that they didn't move back into the property.

I've also kept in mind that it's not in dispute there were other various major and minor snagging issues. For example, the insulation was a major point, but as Mr S and Miss B chose not to move back in, I can't consider the impact of that.

On the balance of probabilities and based on the evidence I'm presented with, I find that the house was more likely than not habitable from early 2022, but I recognise Mr S and Miss B won't agree with me on this point.

Other costs – electricity

It follows that much of Mr S and Miss B's claim for other costs (council tax) related to the other property they were staying in falls away as a result (of their insured property being habitable). I find that Mr S and Miss B didn't mitigate their potential costs by choosing not to move back into the insured property sooner than they did.

In their settlement offer, UKI made an allowance for electricity costs, but Mr S and Miss B feel it isn't enough. UKI have said:

"Regarding the utility usage, the majority of the bills presented were based on estimated readings and we therefore based our offer on the anticipated usage during the drying and reinstatement period. At the time of our last visit in October 2022 the insured had plug in electric heaters running 24/7, assuming insurers would pick up these costs. They have made no conscious effort to mitigate the loss and were advised that they should either isolate the water or get the heating back on a timer to avoid excessive utility usage.

The offer made is reflective of similar claims and costs agreed, which is considered reasonable. As the bills were being paid based on estimated readings the first customer reading on the bills presented was on October 2021 around a year after the claim. They were therefore not paying accurate costs for usage prior to the loss so very difficult to calculate accurately. This is why we based on similar claims and costs agreed. We have been unable to justify the £7k as suggested by the insured."

I find UKI have fairly considered this part of the claim and taken a pragmatic approach to settling it.

Other points

I find a failure from UKI to initially recognise the impact of their actions when handling this claim on Mr S and Miss B. Whilst this was a complex claim, I find it dragged on for much longer than is reasonably acceptable and UKI were too slow to react to the obvious concerns raised by Mr S and Miss B at various points. For example, when arranging inspections or listening to concerns about the insulation issues. I've kept in mind that the relationship between both parties here has deteriorated over time and a lack of trust from Mr S and Miss B towards UKI has unfortunately developed.

Mr S and Miss B raised issue with the flooring. I find UKI's offer to consider further evidence

(such as an independent report) to be fair and reasonable.

UKI paid a further £500 in their final response letter relevant to this complaint in July 2023. I increase this figure by a further £300, to £800 in total.

Summary

Overall, with the exception of the points highlighted above, I find the cash settlement offered to be broadly fair and reasonable and I'm satisfied that UKI have offered to consider further evidence in support of additional costs Mr S and Miss B have incurred. UKI have said:

*"We have tried to engage with the insured to move this forward, but given the length of time the claim has been ongoing, and with the view to move this forward, a cash settlement can be agreed at £45,000. **If they're not agreeable, we would require them to support all costs they're asking to be considered/covered.** [bold added for emphasis by Ombudsman] We are happy to discuss the above proposal with the insureds."*

Mr S and Miss B will need to engage further with UKI if they believe there are further costs owed. Likewise, Mr S has said that the proposed 16 weeks alternative accommodation to complete the work is not realistic, but he'd need to speak to UKI if he has supporting evidence as to why this is not sufficient. Based on everything I've seen, I find it to be fair.

This isn't meant as a discourtesy to either party, but our Service cannot and will not allow a complaint to remain open indefinitely and although we aim to resolve complaints with minimal formality, it's not our primary role to act as an intermediary (for the purposes of claim settlement) between two parties.

Putting things right

U K Insurance Limited need to:

- Pay Mr S and Miss B a further £300 compensation to recognise the impact of their actions. This will mean a total of £800 compensation related to the complaint I have considered.
- Review the missing brackets/light fittings and speak to Mr S and Miss B about an amicable solution to this part of their complaint.

My final decision

My final decision is that I partially uphold this complaint. U K Insurance Limited now need to follow my direction as set out under the heading 'Putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Miss B to accept or reject my decision before 22 April 2024.

Daniel O'Shea
Ombudsman