

The complaint

Miss M has complained about how Zurich Insurance Company Ltd (Zurich) dealt with a claim under a commercial property insurance policy.

References to Zurich include companies acting on its behalf.

What happened

Miss M made a claim for an escape of water at her home. Zurich accepted the claim. It offered Miss M and her family alternative accommodation, which she declined. So, it said it would pay Miss M £100 a day while the claim continued. However, Zurich later stopped paying the allowance. A while later it agreed to pay an allowance of £45 per day, which would be partially backdated.

Miss M complained that the allowance had been reduced and didn't cover the whole period of the claim. When it replied, Zurich maintained its decision that the amount it had paid in allowances was reasonable. However, it offered £1,000 compensation for shortfalls in its service, claim handling and communication.

So, Miss M complained to this service. Our investigator didn't uphold the complaint. She said the amount Zurich offered was significantly more than the industry standard. Zurich had asked Miss M to provide evidence to show the increased costs to support a payment of £100 per day, but she hadn't done so. Our investigator said this was a reasonable request from Zurich. She also said the £1,000 compensation offered was fair.

As Miss M didn't agree, the complaint was referred to me.

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 don't uphold this complaint. I will explain why.

At the start of the claim, Zurich offered to move Miss M and her family to alternative accommodation as the bathroom was out of use. Miss M said she wanted to remain in the property. So, it offered a daily allowance of £100 based on the amount it would have cost if Miss M had moved to alternative accommodation. It said it would pay this until the bathroom was reinstated.

As the claim progressed, there was further discussion about the allowance. Zurich confirmed it was a global allowance and that it was mainly intended to cover travel costs to access bathroom facilities elsewhere. It said things like food expenses wouldn't form part of the claim. It also later told Miss M it would not pay disturbance allowance for any unnecessary delays.

As the claim progressed, it was agreed that Miss M would arrange for the works to be carried out herself, rather than using Zurich's contractors. Zurich asked Miss M to provide quotes and timescales for the work. In June 2022, Zurich told Miss M that if the quotes weren't received within two weeks, it would review the position on the allowance because of the delays encountered to date.

In July 2022, Zurich told Miss M its concerns about the ongoing issues with the claim and said it believed the £100 daily allowance was far in excess of her costs. It said the amount paid also far exceeded the cost of a six-month let for comparable accommodation. It invited Miss M to provide evidence that the £18,900 it had paid in disturbance allowance didn't cover her loss. Zurich stopped paying the disturbance allowance in August 2022.

Miss M told Zurich she wanted to be paid up to £200 a day for the whole period of the claim because of the inconvenience caused to her by living in a property without a bathroom. Zurich later agreed to pay a disturbance allowance of £45 per day and to backdate this to February 2023, which was when Miss M had provided quotes for the work.

The purpose of a disturbance allowance is to cover reasonable additional costs when a property is uninhabitable. It isn't normally a payment for the inconvenience caused. The industry standard is £10 per adult per day and £5 for each child. So, the £100 daily allowance offered by Zurich was well above this. When Zurich later agreed to reinstate the allowance, it offered £45 per day, which was still higher than the standard rate.

Miss M wanted Zurich to pay a disturbance allowance for the period August 2022 to February 2023, as it paid no allowance at all. I'm aware Miss M told Zurich she was unwell for some of that period, which I was sorry to hear, and that she only followed up when she was able to do so. Before it stopped paying the allowance, Zurich explained its concerns about continuing to pay the allowance at £100 per day. It also explained its concerns about the progress of the claim and what it needed from Miss M. I think it's reasonable for an insurer to keep a claim under review, including the progress of the claim itself and the costs involved. Having thought about the circumstances of this claim, I think it was reasonable that Zurich stopped paying the disturbance allowance in August 2022 and only reinstated it in February 2023, when Miss M provided quotes for the work.

Zurich also said Miss M could provide evidence of her increased costs, but she didn't do so. So, I think it was reasonable that, after reviewing the claim, Zurich reduced the disturbance allowance to £45 per day, which was £15 per person. At that time, it again invited Miss M to provide evidence of additional costs and also did so when it replied to the complaint. I'm aware Miss M thinks it is intrusive for Zurich to want to see things like bank statements or other evidence. I can understand that, but as Miss M has said the allowance didn't cover her costs, I think it was reasonable for Zurich to ask her to provide evidence of this.

Miss M also told this service Zurich had lied to her about the reason why the allowance was stopped. In the complaint response, Zurich acknowledged that Miss M had incorrectly been told the payment had been stopped because the policy limits had been exceeded. However, looking at the emails sent to Miss M, these clearly explained why the allowance would be reviewed and why it was then stopped. So, if she was given incorrect information, I still think the position on the allowance was clearly explained to her before it was stopped in 2022.

I can see there was a loss of expectation in terms of how much money Miss M would receive. So, I've also thought about this. Zurich offered Miss M £1,000 compensation for issues with the claim, including its communication. I think this amount fairly covers any loss of expectation Miss M experienced around the disturbance allowance.

So, thinking about all of the above, I don't uphold this complaint or require Zurich to do anything further.

My final decision

For the reasons I have given, it is my final decision that this complaint is not upheld.

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

Louise O'Sullivan
Ombudsman