

The complaint

Mr C has complained about his property insurer Accredited Insurance (Europe) Ltd (AIE) regarding a claim made when a water leak was found at his home.

What happened

In July 2023 Mr C found the wall behind the washing machine, with the bathroom on the other side, was wet. A leak was traced to the shower. The shower had the kitchen wall on one side and a hall wall on the other, with both walls showing signs of significant water damage to about five feet. With the floor in all three rooms damaged too. The shower, the only bathing facility in the home, was disconnected with tiling having been removed to trace the leak.

AIE sent a drying company and an assessor to view the damage. AIE decided it would cost it about £5,000 to fix everything. It said it would settle with Mr C in cash for that sum. Or if he wanted to use one of its contractors he'd have a "very long wait" for it to do any work. It said it would pay for four weeks accommodation so Mr C could stay elsewhere. Mr C felt he couldn't agree to the accommodation period because he didn't think AIE's schedule for repairs had included all the necessary work. For example he noted no wall tiling was recorded for the kitchen. AIE said its scope was correct for the insured work necessary to reinstate the home but didn't specifically answer or explain why. AIE said the schedule is naturally flexible and if other work is found it can be added. Mr C complained to the Financial Ombudsman Service, noting he and his wife were still living in the home without proper bathing facilities.

Our Investigator felt AIE had made a fair offer to settle the claim. Which Mr C could have accepted. But she felt Mr C should have been in alternative accommodation from the point of the claim because the home had been uninhabitable the whole time. She proposed AIE pay a disturbance allowance to Mr C from the date of loss to the date the offer was made in August 2023.

AIE agreed. Mr C maintained that AIE had acted unfairly and mistreated them. Not least as he said he felt it had failed to respond to the dispute over the schedule of work. Referencing quotes for work he had provided, for around £15,000 not including VAT, he said that was the true cost of necessary work. Following some further replies from our Investigator, with Mr C remaining unhappy, the complaint was referred to me for an Ombudsman's decision.

I felt the complaint should be upheld – but in different ways and with different redress to that suggested by our Investigator. So I issued a provisional decision to explain my views on the complaint and what I felt AIE would need to do to put matters right. My provisional findings were:

"Settlement

This service does often take the view that if the policy allows the insurer to settle in cash at its cost, as long as it fairly offers to complete the work, it's reasonable that any cash settlement which results is based on its costs. But AIE didn't, in my view, make a fair offer to

Mr C to complete the work. It was not fair for AIE to make an offer to Mr C which had no good outcome – he could either take a cash sum which was less than the cost to him of repair, or he could face an undetermined, but likely “very long” wait for it to do the work. So, in this instance, I’m not persuaded that AIE settling based on its costs is fair.

I’m mindful that AIE is still prepared to do the work. Should Mr C want it to do that, he can ask it to. But because it was its unfair offer of settlement which pushed Mr C initially into looking to get the work done himself, if he wants to continue with that, with AIE paying his cost for repair, I think that is reasonable.

I need to think about the sums in question though. Particularly because there are unresolved disputes about the extent of work necessary. I note Mr C has presented two quotes for similar costs. But I bear in mind they are not broken down and do not show key information such as metreage for things like tiling, or what allowance is being given for the tiles themselves. Things like that are important in determining if the work proposed equates to like for like reinstatement. For me though AIE’s schedule is equally unreliable which is disappointing given it is the insurance expert.

I absolutely accept that a schedule can change once work starts. But especially where the insurer is looking to settle in cash, and then pass control of the work to its policyholder, the schedule should be reasonably accurate. The work included should present an overall fair reflection of what AIE is liable for to reasonably settle the claim. In my view AIE’s schedule does not do that here.

For example, AIE has not included any tiling in the kitchen at all. Photos taken by AIE’s drying contractor show that the wall below the worktop in the kitchen isn’t tiled. But also that the wall behind the tiles above the worktop is wet. Also that measurements taken on the bathroom side of the wall show it is wet to around five feet – so above the worktop. So I think Mr C was right to be concerned that wall tiling was not accounted for in the scope. AIE does include wall tiling in the bathroom. But seemingly only for two walls. AIE hasn’t considered if matching tiles are available or said what Mr C could expect if they weren’t.

I note AIE’s scope includes removal and refit of the kitchen base units. But its numbering in this respect doesn’t seem to make much sense – even allowing for the fact that all base units might need removal to reinstate the floor. And it isn’t clear if it properly assessed the units and worktop on the wet wall to determine if they were suffering water damage or not. If the whole wall they were sat in front of had been tiled, I might not be concerned about that. Instead, I might have found it reasonable to say these should be reassessed once drying was done. But the lower portion was not tiles and the bare wall was soaked. So it seems likely to me the units will, to some extent, have been affected by the water. In the circumstances, I think AIE should have considered that and assessed them to determine if they need to be replaced (with a view to reassessing them after drying if necessary).

So, in my view, AIE’s schedule is not a likely reliably accurate starting point for repairs such that I could fairly say an updated copy should be provided to Mr C, for him to use to obtain costs. And I’m mindful that AIE is adamant it is correct. Such that I don’t think it would be reasonable, on this occasion, for me to just direct it to go and review the schedule because I’m not convinced that it would actually achieve anything. The claim needs to move forwards. I’m going to require AIE to appoint an independent, qualified surveyor, not previously involved in the claim, to go out and assess the property to see what is required for repair. The schedule the surveyor draws up can then be used by Mr C to obtain three quotes for the reinstatement work. He can submit them to AIE and it will have to settle the claim based on the preferred quote.

Mr C and AIE should be aware that this service has an established approach for situations where damaged items can't be replaced to match the remaining undamaged ones. Such as tiling or part of a kitchen. As I've noted above, it's not clear if matching tiles can be found. It's also not clear if any of the kitchen needs replacing – but Mr C's contractors have noted that it is a discontinued model – so it seems unlikely matching parts could be found to be used for partial replacement. I'd expect any settlement AIE offers to take into account our approach which considers that any loss of match should be compensated for. Often an insurer will do that by paying 50% towards the cost of replacing undamaged, matching items.

Disturbance allowance

With regret for the disappointment I know this will cause Mr C, I'm not minded to make AIE pay a disturbance allowance. But I will be awarding compensation, both for financial and non-financial loss. I trust my following explanation will help Mr C understand why I'm taking this approach.

A disturbance allowance is paid when a policyholder is left in an uninhabitable home. With 'uninhabitable' generally meaning there's no power, heating, cooking and/or washing facilities. Here, whilst the only shower in the property was out of action, there were sinks and hot water available. So it was inconvenient to be living in those conditions, but the house wasn't uninhabitable. Which means that I can't reasonably require AIE to pay Mr C a disturbance allowance.

However, I do think AIE failed Mr C in this situation. AIE knew that it was causing Mr C a lot of distress and inconvenience to remain living in the home. At one stage it talked with him about making arrangements to move him and his wife out before repairs began to alleviate that. But with the dispute about repairs then ensuing, which AIE never, in my view, really properly responded to, Mr C remained living in the home. With AIE offering only four weeks of accommodation costs to Mr C, which he felt he couldn't accept and use, because he had no way to start repairs. Whereas, from the point the claim was validated, AIE could have arranged for a shower pod or similar to be installed at Mr C's home, which would have alleviated much of the inconvenience from a very early stage.

I accept though that Mr C has likely had some costs on account of not being able to shower at home. He's explained that family had to be visited to use their bathing facilities. That wouldn't have been necessary if a pod or similar had been provided, and it certainly wouldn't have been necessary over such a prolonged period if AIE had made a fair and reasonable offer to reinstate the home. I think £300 is a fair and reasonable sum to account for Mr C's likely incurred extra costs. I'm setting this amount as a pragmatic way of acknowledging and accounting for a likely cost having been incurred in this respect but for which Mr C is, understandably, unable to quantify or prove to any significant extent.

Compensation

I bear in mind that AIE didn't issue a formal final response to Mr C's complaint. So in making my award, which takes into account the significant daily disruption caused due to the lack of showering facilities, I'm going to look at the upset caused to date. In addition to the showering situation, I bear in mind that the property, with some bare walls, will have been cold and somewhat unpleasant to live in for the last seven months or so. Also that Mr C went to some effort to try and get answers from AIE about the schedule. Furthermore when he sent AIE his quotes, it still didn't provide any substantive response, which I accept was incredibly frustrating. I think £1,500 compensation is fairly and reasonably due."

AIE did not respond. Mr C said he was generally pleased with the decision.

Mr C explained that he does want to progress the repairs himself. But that, in his view, completing a further assessment now and then having to obtain further quotes will unfairly delay the claim again. Mr C said he is also concerned that any surveyor appointed by AIE will not be sufficiently independent – that their assessment might be swayed by AIE. He said a better option might be to get more detail from the contractors he had submitted quotes from already, or for him to get the work assessed afresh.

As a compromise, Mr C said, he'd be willing to accept settlement based on his two quotes. With AIE paying for two weeks accommodation. Along with the compensation I had suggested awarding. He said he felt AIE should also apologise.

Regarding what I'd said about a disturbance allowance, Mr C said that being without a shower had been more than an inconvenience. He questioned how living without a shower was felt to not be a disturbance.

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.

I understand that Mr C wants this claim to be brought to a swift conclusion. I also understand his concerns about AIE appointing a surveyor. But given the difficulties I set out provisionally, both with the quotes Mr C had obtained and AIE's own schedule, there simply isn't sufficient or suitably reliable evidence for me to use to make a money award. In other words, I can't reach a fair and reasonable decision about exactly what amount AIE should pay to settle this claim. And AIE, as the insurance expert, is best placed in the first instance, to source a suitable, professionally qualified surveyor to determine what is likely required to reinstate the property. With a professionally qualified surveyor being capable of acting independently. And allowing Mr C to gather new quotes makes sure any settlement is based on costs currently available to him for the work the surveyor finds necessary. I'm satisfied that my award is fair and reasonable as it provides the best option for getting reliable, accurate data, as quickly as possible, on which the claim settlement can be based.

I note Mr C's suggested compromise. But as I've said, his quotes don't contain sufficient data to be considered as likely reliably and accurate reflections of the cost of work AIE is likely liable for. And as AIE hasn't acknowledged any wrongdoing, a directed apology wouldn't equate to a sincere admittance of its failures having caused upset. So I can't fairly and reasonably require AIE to settle on that basis.

I appreciate it's been very difficult for Mr C living without a shower. And my compensation award for distress and inconvenience took this into account. I also explained that there is a specific meaning within insurance for the phrase "disturbance allowance". So I acknowledge that being without a shower has caused disruption, or a 'disturbance' in the common use of the word, to Mr C's life. But the specific meaning of relevance here is whether the home was without essential facilities, making it uninhabitable. The home still had sinks and hot water. So the home was not uninhabitable. As set out provisionally, because the home was not uninhabitable, I can't fairly require AIE to pay a disturbance allowance.

As noted AIE has not objected to what I said provisionally. And I've reviewed Mr C's response to my provisional findings. Having done so, I find my view on the complaint is the same as that stated provisionally. As such my provisional findings, along with my comments here, are now the findings of this, my final decision.

Putting things right

I require AIE to:

- Appoint a professionally qualified surveyor, not previously involved with the claim, to assess the damage and necessary repairs needed to reinstate the property;
 - The surveyor should draw up a schedule, to be shared with Mr C for him to use to obtain three quotes for submission to AIE.
 - Based on the schedule the surveyor should determine the reasonable likely period during which the home will be uninhabitable on account of the repairs.
 - AIE should then offer settlement to Mr C based on one of those quotes and for accommodation taking into account the surveyor's determination on the likely period the home will be uninhabitable.
- Where appropriate, make an additional offer to account for any loss of match.
- Pay Mr C £300 compensation for likely financial loss.
- Pay Mr C £1,500 compensation for distress and inconvenience.

My final decision

I uphold this complaint. I require Accredited Insurance (Europe) Ltd to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 11 March 2024.

Fiona Robinson
Ombudsman