

The complaint

Mr R is unhappy with the delay in dealing with a claim for an escape of water on a home insurance policy underwritten by Lloyds Bank General Insurance Limited. Mr R is also very concerned about the ongoing alternate accommodation costs and whether his insurer will cover them in full.

What happened

Mr R contacted his insurer following an escape of water in his property. He told Lloyds that his property was uninhabitable due to the damage. Mr R was told to book alternate accommodation, but he explained he wasn't in a position to cover the cost while he waited for a refund. So he had to rely on a personal contact to arrange accommodation for himself and his mother with someone who expected payment in full at the end of their stay.

Mr R said he received very little feedback from Lloyds about the progress of his claim. He asked his insurer repeatedly to confirm it would cover his accommodation costs. And he was only offered £10 per day for a disturbance allowance when Mr R said his costs have been much greater. Mr R holds Lloyds responsible for the delays in completing the repairs. So he expects the insurer to settle his current accommodation arrangement in full when the repairs are completed and without applying the normal policy limit.

Lloyds acknowledged Mr R had suffered from delays and a disappointing service. It apologised and offered £400 compensation for any inconvenience caused. Lloyds said it could move Mr R into a rented property and would assist with the search. But it was still trying to reach agreement with him about the accommodation costs already incurred.

Mr R wasn't satisfied with Lloyds' response. So he contracted our service and our investigator looked into the matter. Our investigator noted that the repairs still hadn't started many months after Mr R had reported the damage. He'd been forced to find alternate accommodation for himself. And Lloyds still hadn't agreed to cover the cost.

Our investigator felt Lloyds' offer of £400 compensation wasn't enough given the substantial distress, upset and worry caused to Mr R and the ongoing impact caused by its failings over many months. So he said Lloyds should increase the compensation from £400 to £750.

Our investigator didn't feel it was necessary for Lloyds to look at the alternate accommodation arrangements made by Mr R. Based on the information provided he was satisfied it was necessary due to the state of the property. And he felt the arrangements made by Mr R were reasonable in the circumstances. So he said Lloyds should pay the costs presented by Mr R for alternate accommodation in line with the terms of the policy.

Lloyds accepted that additional compensation should be paid to Mr R. And it agreed it should've done more to explore the accommodation issue with him. Lloyds couldn't comment on whether Mr R had made reasonable arrangements as it hadn't seen sufficient evidence about the type of accommodation obtained. But it agreed it hadn't taken control of this aspect when it should have. And it accepted the accommodation costs already incurred should be paid.

Lloyds said it would continue to pay accommodation costs as long as they remained necessary. But it said it should be able to propose an alternative or discuss a different rate if the costs exceeded what was required. And it felt it should be able to end the arrangement if Mr R delayed the claim by failing to respond to its contractors. Lloyds also asked for a documentation trail to show proof of any payment or costs and evidence of the accommodation provided.

Mr R didn't fully accept our investigator's view. He presented additional information relating to expenses accrued beyond the cover of his home insurance policy – which he felt were the result of Lloyds not completing the necessary repairs within a reasonable time frame. And he's asked for an ombudsman's 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.

I'm sorry to hear about the difficult circumstances Mr R and his mother have been put through following the escape of water at their home. I can appreciate how distressing it must've been to discover the substantial damage caused to the property and the impact this would've had on Mr R while the matter was resolved.

Any escape of water is likely to cause some distress and inconvenience. And it's important that both insurer and policyholder work together to quickly resolve the matter. But that doesn't seem to have happened here. Lloyds' service to Mr R during the handling of his claim fell short of its usual standard. And there have been considerable delays in commencing the repairs which have impacted considerably on him.

Mr R was told to find alternate accommodation for which he would be reimbursed. He explained he wouldn't be able to cover the cost himself and arranged through a contact for suitable accommodation for himself and his mother at a daily rate equivalent to a local hotel. I've looked at the terms and conditions of the home insurance policy and it states that any costs agreed to be paid without the insurer's prior permission are not covered. And Lloyds said it hasn't received proper documentation about a cost agreement or indication of the type of accommodation claimed for.

But I can see Mr R repeatedly asked Lloyds to confirm his arrangement was agreeable and that his costs would be settled directly in due course. But Lloyds didn't provide a proper response to Mr R despite multiple requests. So I don't think it would be fair to review or decline Mr R's prior arrangement. Lloyds has now accepted it should've dealt with the accommodation aspect much sooner. It's agreed to deal with the costs already incurred while reviewing the situation while the repairs take place. I think that's the right outcome.

Moving forwards I think it's reasonable that Lloyds receives appropriate documentation about the type of accommodation being used by Mr R and his mother and the cost of that arrangement. That would allow Lloyds to review the situation and, should it find the ongoing expense disproportionate, discuss either a different accommodation rate or search for alternate accommodation while the repairs are completed.

It's important that the repairs are now completed without further delay. Lloyds should continue to provide alternate accommodation while the repairs take place. And I would expect Mr R to liaise with Lloyds's agents positively as it wouldn't be fair for the insurer to continue to provide alternate accommodation if any further delays weren't caused by its handling of the claim.

Putting things right

I've carefully considered the additional points put forward by Mr R with regards to the expense and inconvenience incurred as a result of the delay in resolving his claim. Lloyds originally offered £400 compensation but our investigator directed the insurer to pay an additional £350 to better reflect the unnecessary trouble and upset caused.

Taking everything into account I think that's a fair and reasonable response. And it's in line with the sort of award our service would normally make in such circumstances. So I won't be asking Lloyds to increase the compensation any further. Lloyds should pay Mr R an additional £350 compensation for a total of £750 for the considerable distress and upset caused, as it has already agreed to do.

As agreed, Lloyds should pay the alternate accommodation costs already incurred in line with the home insurance policy terms and conditions. And it should continue to pay reasonable accommodation costs while the repairs are taking place, subject to receiving appropriate documentation detailing the cost and type of accommodation.

My final decision

For the reasons I've explained above, my final decision is that I uphold this complaint. I direct Lloyds Bank General Insurance Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 7 May 2024.

Andrew Mason
Ombudsman