

The complaint

Mr T complains about the way QIC Europe Limited handled a claim he made on his home insurance policy following an escape of water.

What happened

In November 2022, Mr T found a leak under the floor in his property when some underfloor insulation was being fitted. He made a claim under his home insurance policy. QIC accepted the claim, but there were further issues with leaks, including one found in a neighbouring property, which also had to be resolved.

QIC made an interim payment to cover Mr T's trace and access costs and drew up a schedule of works for the repairs. Mr T asked for a cash settlement, which QIC said would be around £3,300. Mr T said that wasn't enough to cover all the claim related damage to the property, so he brought a complaint to the Financial Ombudsman Service.

Our Investigator thought QIC had missed some elements of claim related damage in its schedule of works. He said the evidence suggested the electrics in the kitchen had been damaged by the escape of water, and so QIC should refund what Mr T paid to reinstate them. He also said it was unfair for QIC to exclude wet rot found under the flooring, given he was satisfied – based on Mr T's report from his surveyor, P - it had mostly likely been caused by the escape of water. So it would either need to include that in its schedule of works or cover the cost of Mr T repairing it himself. Our Investigator said QIC also needed to refund the cost of P's report as it had changed the position on the claim.

Mr T submitted a further quote from another contractor D, for around £2,000 for repairs to central heating pipes. Based on the information he had our Investigator wasn't satisfied this was related to the claim and so said QIC didn't have to cover this cost.

QIC accepted the outcome of the complaint. It said it would instruct a surveyor to attend the property and produce a scope of works which includes all damage caused by the escape of water set out by the Investigator. It also agreed to reimburse the cost of the electrical works Mr T had carried out.

Mr T raised a number of points in response and asked that his complaint be considered by an Ombudsman. After the Investigator had provided his findings, he provided a report by an independent Chartered Surveyor, who I'll refer to as I, and asked that a cash settlement be formed based on that report, rather than QIC appointing its own surveyor to scope the works. He also said this Surveyor noted Mr T would likely need to be provided with alternative accommodation whilst the works were carried out.

Mr T provided invoices of expenses he'd incurred, as well as invoices for his legal fees incurred during the claim, as he used the support of a solicitor in his dealings with QIC and this Service. He asked for these to be reimbursed.

As the matter hasn't been resolved, it has come to me to decide.

In May 2024 I issued a provisional decision on this complaint. A copy of what I said is below.

QIC has accepted the findings of our Investigator, so it has agreed damage to the electrics and from the wet rot will be rectified as part of the claim. It's also accepted it will reimburse Mr T for the reports he had carried out on his electrics and the report carried out by P. The outstanding issue is that QIC wants to appoint its own surveyor to attend the property and scope the insurance related repair works, whereas Mr T now wants QIC's settlement to be based on his report carried out by I. QIC had previously scoped the repair works and provided a cash settlement offer. But it had also offered to carry out the repair works itself. And as far as I can see, its repeated that it will still carry out the works if this is what Mr T wants.

I understand Mr T doesn't want to take this option of QIC doing the works. But the approach of this Service is that, where a business has offered to carry out the reinstatement works but a consumer chooses a cash settlement, QIC is able to cash settle based on what it would have paid its contractors to complete the works. And because QIC is likely to have discounted rates agreed with its contractors, it's likely that the cost to QIC of carrying out the work will be less than the market rates available to cost to Mr T. I understand Mr T's reasons for not wanting QIC to do the work, but I'm not persuaded it's fair – in the circumstances of this case – to ask it to cover the quotes he's provided.

So to resolve the complaint I'm minded to direct QIC to carry out the work for Mr T, or cash settle based on what it would have cost it to do the works. I'm not going to ask it to pay what Mr T has been quoted by I for repairs needed.

I'll take into account any further information provided after this provisional decision, but at the moment I'm minded to say that QIC should carry out all of the works listed in I's report, provided to this Service in April 2024. I say this because it includes the findings from P's report – which QIC has agreed to cover. It also includes the other works needed - as noted by P but not costed –such as temporarily removing the kitchen and a radiator to aid repairs. Previously, Mr T has provided this Service with a quote for £1,920 to do with central heating pipework. Our Investigator wasn't satisfied it had been shown that this work was needed as a result of the escape of water. However, Mr T's since provided another report from D, which says in its opinion the damaged pipework is because of the insured event. Given the pipes were in standing water for a prolonged period of time and I's report also supports this stance, I'm currently persuaded QIC should carry out necessary repairs to pipework.

I'll provide a copy of these reports to QIC with this provisional decision – if it hasn't seen them already. And I'll review any comments it wishes to make in response before reaching a final decision.

I's report lists other items not previously (as far as I'm aware) agreed to by QIC. Having reviewed the report, I can't see that it includes anything which clearly isn't claim related damage. So the schedule of repair works provided by I itself seems to provide the basis of what QIC should cover. However, I'll take on board any comments QIC makes on I's scope of works before reaching a final decision on what QIC's cash settlement – should Mr T choose one - should be based on.

Mr T has said his surveyor confirmed he'd likely need to be provided alternative accommodation whilst this work was being carried out, as the kitchen would have to be temporarily removed to do the repairs needed to the floor. Mr T's policy does provide him alternative accommodation cover if the property becomes 'unfit for living' as a result of an insured event. I can't see that this is defined in the policy any further. And I consider not having access to a kitchen would make a home unfit for living. So at the moment I'm minded to decide QIC should also include reasonable costs for alternative accommodation in any

settlement, or as part of it carrying out the repairs. But I'll take on board any comments QIC wishes to make on that point before reaching a final decision.

Given I's report supports that further work should be included in the claim related repairs, I'm satisfied it would be fair and reasonable for QIC to reimburse Mr T what he paid for it, plus 8% simple interest from the date he paid for the report, until the date of settlement.

Mr T has provided this Service with invoices from his solicitor, which he says QIC should cover the cost of. He says without his solicitor, he wouldn't have reached this point in the claim. Having considered matters, whilst I note this claim has been ongoing for some time, I'm not persuaded that QIC's handling of it has been so poor that I can fairly require it to pay Mr T's legal costs. Bringing a complaint to this Service is free and informal, he doesn't need a solicitor to do so. I understand he's wanted the support of a solicitor in his dealings with QIC, but I don't think it necessarily follows that it should reimburse him for the costs.

However, I think QIC initially unfairly assessed this claim, and this has caused Mr T unnecessary distress and inconvenience. He's had to source his own contractors to provide reports, and I think QIC's handling would have caused him unnecessary frustration. So I'm minded to decide it should pay him £400 compensation to recognise this.

My provisional decision

My provisional decision is that I'm minded to direct QIC to:

- Carry out the repairs as directed in P and I's report. Or provide Mr T with a cash settlement for those works based on what it would cost QIC to carry out those repairs.*
- Reimburse Mr T for the cost of the reports carried out by P and I, plus 8% simple interest from the date they were paid, until the date of settlement.*
- Reimburse Mr T's costs incurred for his electrical report and repair works, plus 8% simple interest from the date they were paid, until the date of settlement (if it hasn't done so already).*
- Pay Mr T £400 compensation.*

Responses to my provisional decision

QIC responded to say it had already accepted the first three recommendations previously, and it would also agree to the compensation.

Mr T's response was in summary

- He doesn't have confidence in QIC and its contractors to do the work, given its previous low offer, and he wants to find his own company to put trust into.
- Given some health concerns, if QIC needed to attend his home again he wanted it to be convenient for him.
- In relation to his legal fees, he knew QIC's offer was wrong, but he didn't have the legal understanding to know what to do next, and he wouldn't have brought the complaint to this Service had a breach of contract not been found.
- There are many things that haven't been costed by I, such as the removal of the gas meter, which must be done by the gas board, the removal and reinstatement of a toilet that will need to be removed to aid the flooring being re-laid, and the storage of the kitchen, which works are carried out in there.
- He will submit his receipts for the reports he's had carried out.

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.

QIC has said it previously accepted it would meet the repairs in P and I's report. I don't think that is correct, given I's report was submitted after our Investigator's initial assessment. However, as QIC has confirmed it accepts the provisional decision, I'm satisfied that QIC should base its own repairs (or cash settlement offer) on those works.

However, as Mr T points out, I's report doesn't include everything that might incur costs for him. For example as I's report says the kitchen will need to be temporarily removed, there would likely be a storage fee incurred in that, but it hasn't provided an estimate of the cost to Mr T. I accept that is the case. I also consider there might also be other costs that Mr T hasn't thought of, or that hasn't been considered by this decision.

If QIC were carrying out the repairs to the property, it would factor any removal and storage of items into its schedule. And as set out in the provisional decision, it would also, if needed, source alternative accommodation for Mr T. I consider there is always a risk, with accepting a cash settlement offer, that other issues might come up, which couldn't have reasonably been accounted for. And if QIC were to cash settle the claim, its important Mr T knows it wouldn't guarantee any of the works he has carried out. So Mr T would have no recourse to QIC, or this Service, if any issues arose with any contractor that he appoints.

That being said, if Mr T does wish to take a cash settlement, he is entitled to do so. I've considered his comments in response to the provisional decision, he thinks its unfair that QIC should be allowed to settle at its rate, given his worries about the online reviews of its contractors. And whilst I accept the service he's received so far hasn't been up to the standard he should expect, I still don't think QIC needs to pay more than it would cost it to repair the damage. Mr T's insurance policy allows it to choose its own contractor to carry out repairs so under the terms of his policy, he doesn't have a right to choose which contractors QIC appoints. And the terms also follow this Service's approach of being able to cash settle for what it would cost it to carry out the repairs if that is chosen by the policyholder.

QIC did make an initial unfair offer to settle the claim, it has accepted that. But I don't think it's fair and reasonable for me to say that because it did so, it wouldn't be able to now carry out a satisfactory repair to Mr T's property. So I don't consider it reasonable to say QIC should pay Mr T's private rates for reinstatement of the property.

So in order to resolve matters, should Mr T still want to choose a cash settlement payment, QIC will need to base its cash settlement on I's report, but it will also need to provide a full schedule and pay any additional cost likely to be incurred during the reinstatement which it would cover under the policy. Whilst I understand Mr T's health concerns, its likely this will be best done by a site visit to his home. QIC should arrange for this to happen within four weeks of Mr T accepting this final decision.

I've set out in the provisional decision which expert reports QIC should reimburse Mr T for. I haven't received any further information which changes my mind on those so QIC will need to refund those costs, plus 8% simple interest from the date they were paid until the date of settlement.

I've considered Mr T's comments about his legal costs. I accept dealing with insurers can be daunting for people. Mr T says it was only by instructing solicitors that he realised QIC was

in breach of its contract, or he wouldn't have brought the complaint to us. However, from the file, it looks like Mr T didn't engage the services of a solicitor until after the complaint came to this Service. And this Service doesn't require anyone to have any expert knowledge of insurance or legal matters.

In any event, even if I accept Mr T did engage a law firm before coming to this Service, I still wouldn't ask QIC to cover the costs. He isn't entitled to any cover for this under his insurance policy. So the only way I could require QIC to do so was if I thought the Service was so poor that Mr T had no other option. But I don't think that is the case here. Mr T was given an offer, which he made clear to QIC he didn't accept. He rightly had concerns about the electricity, which he then resolved himself, without the assistance of a solicitor as far as I'm aware. As set out in my provisional decision, he may have wanted to engage with solicitors to understand his rights better, that is understandable. But I'm not persuaded in the circumstances that it's reasonable to ask QIC to cover this cost.

QIC does need to compensate Mr T however, for its poor handling at the start of the claim, including ignoring Mr T's valid concern about the electrics, which would have caused unnecessary distress and inconvenience. Mr T said he had to make meals in the dark for a period as he was too worried to use the lights, this could have been avoided by QIC. Having considered Mr T's comments in response to my provisional decision, I'm making the overall award of £500 compensation, rather than the £400 I initially set out. Given the small increase, I haven't put this to QIC for its comments, given that it has accepted the principle that compensation should be paid and the increase is relatively minor.

My final decision

- Carry out the repairs as directed in P and I's report. Or provide Mr T with a cash settlement for those works – including for additional likely costs associated with those repairs and not listed in I's report, based on what it would cost QIC to carry out those repairs.
- If QIC needs to arrange a site visit to fully scope the works, it should arrange this within four weeks of us telling it Mr T has accepted this final decision.
- Reimburse Mr T for the cost of the reports carried out by P and I, plus 8% simple interest from the date they were paid, until the date of settlement.
- Reimburse Mr T's costs incurred for his electrical report and repair works, plus 8% simple interest from the date they were paid, until the date of settlement (if it hasn't done so already).
- Pay Mr T £500 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 26 June 2024.

Michelle Henderson
Ombudsman