

## **The complaint**

Mr G and Mrs R complain about the way Royal & Sun Alliance Insurance Limited (“RSA”) settled a claim on their property insurance and about delays dealing with the claim.

## **What happened**

Mr G and Mrs R made a claim on their insurance in August 2021 after their property suffered fire damage.

The building is made up of three separate properties. Part of the building is Mr G and Mrs R’s home and there are two annexes that they rent out as holiday lets.

A scope of works was drawn up in September 2021. This was revised in October and then agreed at a site meeting in November. A start date of 17 January 2022 was agreed for the work to begin. Mr G and Mrs R were able to stay in the property in the meantime.

Work started and continued up to 25 February 2022 when it was paused. Mr G and Mrs R’s surveyor inspected on 1 March and said the technique being used for treating timbers was not appropriate. There was a discussion about replacing the timbers and Mr G and Mrs R wanted RSA to authorise this.

Mr G and Mrs R say that was the first of four periods of delay which they were not responsible for, the others being:

- 6 April to 5 May 2022 – delays due to a review of the scope of timber replacement
- 13 May to 16 June 2022 – contractors were supposed to be on site doing kitchen reinstatement work but there was hardly any activity
- 16 to 24 June 2022 – scaffolding was due to be erected but was delayed.

They say that once the scaffolding was erected, the work continued fairly smoothly and was completed in September 2022.

Mr G moved into alternative accommodation while the work was being done. Although their part of the property was habitable, Mr G had a medical condition that meant he couldn’t stay there while contractors were carrying out all the building works.

Mr G and Mrs R claimed for loss of rent due to the fact they couldn’t rent out the holiday properties until the work had been completed.

Mr G and Mrs R complained to RSA on 31 January 2023. They were unhappy about how long it had taken to deal with the claim and the amounts offered in settlement.

RSA issued a final response to the complaint in July 2023. It didn’t uphold the complaint.

RSA said:

- It didn't agree there had been any avoidable or unnecessary delays. There had been some delays once the work was approved on 6 April 2022 but that was due to Mr G seeking approval for additional works.
- Alternative accommodation costs were paid in accordance with the policy and it wouldn't agree to extend the period covered.
- The cost of an engineer's report claimed by Mr G and Mrs R was not covered by the policy.
- The settlement paid for the kitchen worktop and stove was in line with the policy terms.
- The claim for loss of rent would need to be supported by accounts.

Mr G and Mrs R were unhappy with the response and referred the complaint to this Service. In the meantime they accepted a payment from RSA of £4,500 for loss of rent as an interim payment towards that element of the claim, saying it wasn't clear how that figure had been calculated and they didn't accept it covered all the loss.

Our investigator thought the complaint should be upheld and said:

- There was a delay of at least a month from late February to April 2022.
- The delay in April and May 2022 while the scope of works was reviewed was unavoidable and there was little information about later delays. So it was difficult to say RSA was responsible for delays.
- But RSA should make the following payments:
  - the fee Mr G and Mrs R paid for their engineer's report
  - alternative accommodation costs up to 26 August 2022
  - loss of rent up to the end of the works in September 2022; calculated using their accounts for the period from 2018/2019 through to 2023/2024.

The investigator also said the worktop and range should both be paid as either like for like or the actual replacement cost, not a mix of the two.

Mr G and Mrs R said they had given explanations for the delays, none of which could be attributed to them, but they thought the investigator had provided fair conclusions.

RSA didn't accept the investigator's view and requested an ombudsman's decision. It provided further comments. I won't set them out in full but the key points include:

- Works were delayed because Mr G wanted the whole roof replaced, which wasn't reasonable, and work stopped in February 2022 as he was looking for non-fire damage to be included. The work could have been done more quickly if he had allowed it to proceed on the basis that had originally been agreed.
- There were also delays by Mr G and Mrs R's surveyor not authorising works. And the scaffolding was delayed as they couldn't get access to the site.
- Mr G and Mrs R had stored items in one of the cottages but there had not been any agreement to do this. It would have been more economical to put them in storage and rent out that property.
- It has paid for the stove and worktop as like for like replacements, as set out in an earlier complaint response.

Mr G and Mrs R responded to RSA's comments. The investigator considered all the additional comments but didn't change her view. So the complaint was passed to me to determine.

I issued a provisional decision. In the provisional decision I explained that I intended to uphold the complaint but with the proposed remedy specified in more detail. I set out my reasons as follows:

*We have received detailed comments on the complaint. Our role is to provide an impartial review, quickly and with minimal formality. I use my judgement to decide what's fair, based on the main crux of a case. So I won't comment in detail on every single point and will focus on the key points that are relevant to the outcome I've reached.*

*The relevant industry rules and guidance say insurers must deal with claims promptly and fairly; provide reasonable guidance to help a policyholder make a claim and appropriate information on its progress; and not unreasonably reject a claim. They should settle claims promptly once settlement terms are agreed.*

*I'd expect the settlement to put the customer, as far as possible, back in the position they were in before the loss or damage.*

*It's not disputed that the policy provides cover for the damage. The policy terms say RSA will pay for:*

- the cost of repair or replacement;*
- the reasonable costs of alternative accommodation; and*
- loss of rent for the period necessary to restore the property to a habitable condition, as a result of loss or damage insured by the policy.*

*The repairs have been carried out and payments made for alternative accommodation and loss of rent. This complaint is about how long it took to deal with these and about the amounts paid for alternative accommodation and loss of rent. Mr G and Mrs R also sought reimbursement of fees for an engineer's report. I'll deal with each of these in turn.*

### *Delays*

*The works were due to start on 10 January 2022 and take 14 weeks, which would mean they would have been completed around 22 April. As it turned out, they were not finished until September. Although they took much longer than anticipated, that doesn't necessarily mean this was all due to avoidable delays caused by RSA.*

*Work was stopped at the end of February 2022 and the schedule of works was reviewed as new repairs needed to be approved by RSA's agent. The works weren't approved or declined until April 2022. So there was delay of at least a month here.*

*Roof repairs were agreed in April 2022 but were then queried throughout April and May 2022 after which new repairs were approved at the end May 2022. The scaffolding for the roof repairs wasn't put up until mid-June 2022. Much of this was unavoidable as the scope of the repairs needed to be agreed.*

*RSA says Mr G and Mrs R caused this delay but I don't agree. Their surveyor had asked for the roof to be replaced and RSA's agent declined this. That led to continued discussion around the extent of the roof repairs. It's not unusual for a policyholder to question the repairs being done. I think Mr G and Mrs R raised reasonable questions and it was right to review things. While that may have added some time, the extent of the repairs needed to be*

agreed.

*Delays in May and June 2022 were not caused directly by either party and were mostly due to other factors outside their control relating to the scaffolders or contractors. I don't consider the evidence shows RSA caused any lengthy delay after that.*

*The work was eventually signed off in September 2022. Mr G and Mrs R have said work continued until October but that appears to have been simply dealing with an electrical fault that needed fixing.*

*Looking at the overall sequence of events, I'm satisfied Mr G and Mrs R didn't cause any delay. I appreciate things took much longer than originally anticipated and that was very frustrating for them but, other than the initial short delay, I don't think RSA was responsible for any periods of delay.*

#### *Alternative accommodation*

*Mr G and Mrs R were entitled to claim reasonable costs of alternative accommodation. They asked for the alternative accommodation costs they incurred up to 26 August 2022.*

*RSA has agreed to pay costs up to mid-July 2022. It says the works were approved in April and were due to take 10 weeks to complete. It agreed to cover one additional month to allow for carpets and furniture being returned but refused to pay beyond that on the basis it wasn't responsible for delays with the works being completed*

*As I've explained, there were discussions during April and May 2022. That caused the works to take longer than originally planned. Even if RSA didn't cause unnecessary delays after that, nor did Mr G and Mrs R. They were in alternative accommodation for longer through no fault of their own and they shouldn't be out of pocket as a result. And the earlier delay was around the same length as the additional alternative accommodation costs that haven't been covered.*

*Taking all of this into account I think it's reasonable for RSA to cover the alternative accommodation costs between 22 July 2022 and 26 August 2022.*

#### *Loss of rent*

*In response to Mr G and Mrs R's complaint, RSA did agree to pay for loss of rent, but it has only paid £4,500 and they say this doesn't cover all the loss.*

*RSA said it would only cover lost rent for the property that was actually damaged. But Mr G and Mrs R couldn't rent out either of the properties while the work was being done.*

*Although split into three properties, it's all one building and the policy covers the whole property. They are in a rural location and advertise the lets as being rented for "peace and tranquillity". That wouldn't be the case all the time contractors were on site carrying out major repair works to the building; there would have been an impact on all three properties. Realistically, it wasn't possible to let them out during that period.*

*RSA says one of the properties was used for storage without its agreement. I don't think that makes a difference. Even if it had been empty, it still wouldn't have been rented out for the reason given above.*

*In relation to the amount to be paid, this should cover the period up to September 2022, when the works were completed.*

*Our investigator recommended that RSA calculate this on the basis of Mr G and Mrs R's account for the years from 2018/19 to 2023/24. I agree that's a fair way to deal with it. However, as we have been provided calculations by both parties, I propose to set out the amount RSA should pay. That will bring finality for both parties and avoid the risk of further dispute.*

*RSA based its offer of £4,500 on rental for one of the cottages, calculated on the basis there was a downward trend in the rental income from 2019/20 to 2020/21, and in the period from April 2021 to April 2022 the rent for that cottage was £7,055. It said taking an average over three years would not be reasonable.*

*Mr G and Mrs R claimed for £16,929. They have provided details of their rental income as follows:*

<i>2019/20</i>	<i>£18,935</i>
<i>2020/21</i>	<i>£15,904</i>
<i>2021/22</i>	<i>£15,948</i>
<i>2022/23</i>	<i>£21,840</i>

*They point out that the downward trend in 2020-21 was due to the impact of Covid-19 and the trend in 2021-22 was due to the fire incident. So those were not "normal" years. I think that's a fair comment. The properties could not be rented out from August 2021 to September 2022. So the income for 2021/22 was effectively for less than half a year*

*Unless the policy specifies a different way of calculating the loss (and it doesn't appear to) taking a three year period is a fair way to consider what a reasonable rental income might be.*

*I've considered the average amount for the three years up to 2021/22 and taken into account that Mr G and Mrs R advise that their income since the property was reinstated has been higher. On that basis, the amount claimed seems reasonable. So RSA should cover this, less the £4,500 already paid – leaving a sum of £12,429.*

*I'm setting this out now so the parties have a chance to comment. If RSA can explain why it considers a different amount to be fair I'll consider this further but, based on the evidence I have currently, I consider the amount Mr G and Mrs R have claimed to be reasonable. .*

#### *Worktop and range*

*RSA agreed to cover these items on the basis of what it would cost for like for like replacements of £12,425.37 plus VAT for the stove and £1,927.93 plus VAT for the worktop.*

*After this was approved, however, Mr G and Mrs R replaced the items with different ones that were not like for like. The stove they bought cost less than a like for like replacement, while the worktop was more expensive.*

*RSA has paid for the worktop replacement on the like for like basis and the stove based on what was actually paid; in other words, choosing the cheaper of the two options in each case. I don't think that's a fair way to do this. If it chooses to pay the actual replacement cost for the stove (which was cheaper) it should also pay the actual replacement cost for the worktop.*

*That was £4,305.60 and RSA has so far paid £1,938.93. So it should pay the difference of £2,366.67.*

### *Engineer's fees*

*Mr G and Mrs S paid for an engineer to inspect the roof. RSA declined to pay his fees on the basis the roof repairs had already been agreed so a report wasn't needed and didn't change things. Mr G and Mrs R dispute this.*

*While this may not strictly have been covered by the policy, it appears that works to three rafters was added after the engineer's first report. So it did lead to RSA agreeing additional work was needed. I don't think it would be fair for Mr G and Mrs R to be out of pocket as a result. So this should be reimbursed.*

*The engineer provided a second report confirming the repairs have been completed correctly. I can't see that was needed or had an effect on the claim so I don't think RSA should cover this.*

### *Distress and inconvenience*

*Mr G and Mrs R have also said that having to pursue matters – in particular the alternative accommodation costs – took a great deal of time and energy, and caused some anxiety for Mr G in particular, given his health.*

*While the incident itself and having to make a claim would always have been distressing, I think the delays resolving these issues and reimbursing these costs added to their distress and caused some inconvenience. In the circumstances I propose to direct a payment of £250 to compensate for this.*

### *Putting things right*

*To put things right RSA should pay to Mr G and Mrs R:*

- *£4,205.53 for the alternative accommodation costs*
- *£12,429 for loss of rent*
- *the balance of £2,366.67 for the worktop*
- *£828 for the fee Mr G and Mrs R paid for their engineer's first report*
- *simple interest of 8% per year on each of the above from the respective dates when Mr G and Mrs R claimed for each of these until the date of payment.*
- *compensation of £250*

### **Replies to the provisional decision**

Mr G and Mrs R replied saying they accepted the provisional decision but wished to clarify that it was only Mr G who had to use alternative accommodation due to his medical condition. Mrs R stayed in part of their property with their dog, allowing Mr G to rent a smaller property for himself.

RSA replied with some additional comments which included the following in particular:

- The cost for the alternative accommodation was a round figure of £2,000 per month the proposed figure is £4,205.53; if it's one extra month this would only be a cost of £2,000
- The worktop figures were based on an email which gave was the cost of replacement. Mr G and Mrs R chose to install a different worktop which was not like for like. The cost offered was fair and based on a like for like replacement.

- The figure for the stove was also provided on the like for like invoice provided by Mr G and Mrs R and the replacement costs was £8,875. The loss adjustor dealing with this agreed that once an invoice was submitted installation costs could then be added. She also advised that she would look to cover the cost to remove the flu as the policyholder changed to a different system which was not a like for like replacement.

### **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.

Mr G and Mrs R have accepted the provisional decision.

RSA's comments focus on two areas – the cost of alternative accommodation and the cost of the replacement worktop. I've considered these comments but they haven't led me to change my provisional decision. I'll explain why.

Mr G and Mrs R have clarified the figures for alternative accommodation costs. These were paid at £2,000 per month up to 17 June 2022. They received a payment of £1,314 for the period up to 2 July. Costs after that have not been paid.

They have provided a breakdown of the further costs they paid up to 26 August. They were on holiday from 2 to 17 July. The period from then until 26 August is more than a month. And Mr G had to find short term lets at very short notice. This was during the holiday period in July and August when short term lets are at a premium. That's reflected in the price of the accommodation (which they say they did not expect to be booking).

Although the costs for that period were higher, I'm satisfied they are reasonable in the particular circumstances here.

With regard to the worktop, as I explained in my provisional decision, RSA settled the worktop replacement on a like for like basis and the stove based on what was actually paid; in other words, choosing the cheaper of the two options for each. I consider it reasonable to pay for both on the same basis.

Having reviewed the complaint in light of all the additional comments it remains my view that the payments set out below are a fair way to resolve the complaint.

### **Putting things right**

To put things right RSA should pay to Mr G and Mrs R:

- £4,205.53 for the alternative accommodation costs
- £12,429 for loss of rent
- the balance of £2,366.67 for the worktop
- £828 for the fee Mr G and Mrs R paid for their engineer's first report
- simple interest\* of 8% per year on each of the above from the respective dates when Mr G and Mrs R claimed for each of these until the date of payment.
- compensation of £250.

\* If RSA considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr G and Mrs R how much it's taken off. It should also give Mr G

and Mrs R a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

**My final decision**

I uphold the complaint and direct Royal & Sun Alliance Insurance Limited to pay the compensation amounts set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs R to accept or reject my decision before 8 July 2024.

Peter Whiteley  
**Ombudsman**