

The complaint

Mrs H and Mr H complain that Lloyds Bank General Insurance Limited (Lloyds) has treated them unfairly when handling a claim made on their building's insurance policy.

What happened

At the end of August 2023, Mrs and Mr H notified Lloyds of a leak in their downstairs toilet. Lloyds explained to Mrs and Mr H what they needed to do in the first instance, with instructions to ensure the leak had been stopped and to let Lloyds know when this had been done.

On 6 October, Lloyds were notified the leak had been sourced and stopped and Mrs and Mr H were sent a link to provide photos of the damage and quotes for the repair work. On 10 October Lloyds let Mrs and Mr H know that any quotes needed to be provided on letter headed paper with a breakdown of labour and material costs, VAT amount and VAT number for the contractor. An email was sent to follow up on this request on 27 October which provided the information needed by Lloyds to progress the claim.

Mrs and Mr H provided a quote to Lloyds on 3 November but the quote was missing some of the information Lloyds said was needed with no breakdown of costs or room dimensions. Mr H called Lloyds for an update on the claim on 6 November and was informed what was missing. Unhappy with the time the claim was taking, a complaint was raised.

There was more back and forth with Lloyds and Mrs and Mr H until 21 December when Mrs and Mr H let Lloyds know they had the works completed as they couldn't wait any longer due to the time of year. Lloyds made an offer to settle Mrs and Mr H's claim but this was somewhat short of what Mrs and Mr H paid to have the work completed.

Lloyds looked into Mrs and Mr H's complaint and said they were sorry that the service provided during the claim had not been as good as it should have been. To apologise for this, Lloyds paid them £100. Lloyds didn't think it had provided incorrect information to Mrs and Mr H about needing to use a VAT registered contractor, but they could have made things easier and offered to appoint their own contractors to complete the repairs.

Mrs and Mr H brought their complaint to this Service and Lloyds reviewed its position. It said based on it failing to offer to complete the works directly sooner it was willing to do the following:

- Consider the cost Mrs and Mr H incurred when having the work completed by their own contractor for any insured works.
- To pay 8% interest on the accepted claim costs from the date Mrs and Mr H paid for the work until date of settlement.
- To increase their offer of compensation from £100 to £300.

Our investigator felt this was a fair offer and explained why they wouldn't expect Lloyds to cover the cost of any work completed on Mr and Mrs H's property that was not completed as a result of the leak and any damage from this.

Mrs and Mr H disagreed and asked for the complaint to be referred to an ombudsman for decision.

They said they understood that additional work would not be covered and they were not seeking this. But they felt the offer provided by Lloyds was a long way short of what they had paid for the work and they didn't think it was fair they were paying this. They highlighted a call where Lloyds had told them that they should have been offered more assistance from Lloyds and its contractors or loss adjusters in the first instance. And they said they were given conflicting information about the contractor being VAT registered and this added to the delays of the matter.

Because Mrs and Mr H disagreed with our investigator, the complaint has been passed to me for 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 agree with our investigator that the offer now made to put things right by Lloyds is fair. I'll explain why this is and why I think it addresses the concerns Mrs and Mr H have about the claim.

Mrs and Mr H paid £1956 to have the work on their property completed. Lloyds made an offer to pay £689.97 after the policy excess was deducted to settle the claim. This was based on what Lloyds believed it would cost its contractors to have completed the repair work.

Mrs and Mr H feel they lost the opportunity to use Lloyds' contractors to complete the work as this was not offered sooner. And when they had been left with an exposed waste pipe for a number of months and with Christmas fast approaching, they felt they had no option but to get the works completed.

The offer Lloyd's has now made recognises that it didn't provide Mrs and Mr H with information or additional support with their claim sooner and that they lost the opportunity to have the work completed by Lloyds. As a result it has offered to consider the costs they incurred having the insured work completed. It has not simply repeated its previous offer to only cover the cost of the work inline with what it would have cost it.

Upon receipt of the invoice for the work completed, Lloyds will consider the cost of the claim to Mrs and Mr H and refund what they have paid for the insured works. This is fair and what I'd expect to see where a delay in providing information about other options has resulted in the claimant losing the ability to ask the business to complete the works.

Mrs and Mr H have accepted that some of the work shouldn't be covered and this is correct. The new flooring was different to what was in place before and it would not be fair to expect Lloyds to cover the cost of this addition.

Lloyds has also offered to pay interest of 8% on the refund it makes from the date Mrs and Mr H paid the invoice for the work. Again, this is something I'd expect to see happen and I think this is fair.

Mrs and Mr H have focused on the phone calls and whether misinformation was provided about the need for the contractor to be VAT registered or not. I understand the frustration on this point but I don't think it is the crux of this complaint. The primary issue here is whether

Lloyds provided Mrs and Mr H with the right information about their claim in a timely manner to understand what their options were. This is in its entirety and not just in reference to whether the contractor needed to be VAT registered or not.

When Lloyds failed to do this, Mrs and Mr H lost the opportunity to have the claim progressed sooner and via Lloyds appointed contractors. So in simple terms they lost out.

If Mrs and Mr H had actively chosen not to use Lloyd's contractors, then I wouldn't expect Lloyds to cover the costs of the work if this exceeded the price it would have cost it. But in this case, Mrs and Mr H were not given this opportunity and it is right that Lloyds consider the cost of the claim for the insured work based on what Mrs and Mr H needed to pay.

Lloyds has recognised the impact of the delay in providing Mrs and Mr H with the right information and its overall claim handling with an increased offer of £300 for the distress and inconvenience. I think this is a fair offer and inline with an award I'd expect to see for an error of this type. This isn't an increase in the claim amount and is paid to recognise the impact of the errors. And the reconsideration of the claim based on the cost to Mrs and Mr H sits separately to this.

Overall, it is clear Lloyds could have provided Mrs and Mr H with more information to assist them with their claim and other options sooner. And when they didn't have the option to use Lloyd's contractors, it isn't fair that they pay more for the work. But Lloyds has recognised this and made an offer to put things right that I believe is fair and reasonable.

Putting things right

Lloyds should do the following to put things right on this complaint as set out in their offer.

- Consider the cost Mrs and Mr H have incurred when having the work completed by their own contractor for any insured works and refund the cost of this work.
- Pay 8% interest on the accepted claim costs from the date Mrs and Mr H paid for the work until date of settlement.
- To increase their offer of compensation from £100 to £300.

My final decision

For the reasons I've explained above, I uphold Mrs and Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 23 July 2024.

Thomas Brissenden
Ombudsman