

The complaint

Mr M and Ms S have complained about the amount Covea Insurance plc offered to settle a claim they made under their buildings insurance policy following a water leak.

Reference to Ms S includes Mr M.

What happened

The circumstances of this complaint aren't in dispute, so I'll summarise the main points:

- Ms S made a claim for damage caused by a water leak and Covea accepted it.
- A dispute arose about the way Covea handled the claim, including which areas of damage it would cover. Ms S referred her complaint to this Service and a decision was made which required Covea to do a number of things. One was for Covea to settle the internal damage and tanking aspects of the claim in line with the terms and conditions of the policy.
- Because Ms S had paid for strip out work but had then sold the property before any other work was carried out, the claim couldn't be settled by repair. That meant Covea had to pay the lower of the estimated cost of repair and the amount by which the property reduced in value as a result of the damage.
- Covea offered to settle the claim for £21,609.20 and pay £100 compensation. Ms S didn't agree with how Covea had reached the claim settlement figure. She also said she'd reduced the sale price of her property by £30,000. She raised a new complaint and referred it to this Service.
- Our investigator wasn't satisfied Covea's offer was fair – he said it hadn't been supported by evidence in the same way Ms S' had. As a result, he asked Covea to increase its offer to £25,924. That included VAT for work that had been completed but not VAT for work which hadn't been completed.
- Covea didn't respond. Ms S thought the offer should include VAT for all work. She said that's the position she would have been in had Covea settled the claim sooner. As an agreement wasn't reached, the complaint has been passed to me.

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.

- It's important to start by setting out the scope of this complaint. As our investigator has explained, we can't reconsider anything that was considered in the previous complaint. Nor can we consider the extent to which Covea has followed the decision.

- We can consider how Covea dealt with the remainder of the claim, including the amount it offered to settle the claim. So that's what I'll do.
- Ms S shared her quote for tanking at £16,780 with Covea and it agreed to settle at that amount. So this isn't in dispute and doesn't need further comment.
- She also shared her quote for internal repairs at £4,600. Covea offered a slightly lower figure, which I understand also included strip out work, but I haven't seen any evidence to support Covea's figure. So I'm satisfied it would be fair to settle at Ms S' figure – and Covea didn't challenge this when our investigator suggested it.
- Covea accepts Ms S paid £2,000 for strip out work. As I haven't seen evidence to support Covea's figures for this work, I'm satisfied Covea should settle this at the amount Ms S paid. Again, Covea didn't challenge this when our investigator suggested it. Covea has already offered to pay the £400 VAT on this work that Ms S paid, so that's not in dispute and doesn't need further comment.
- Lastly, Ms S has shared a quote of £2,144 for flooring. I don't know whether Covea included an amount for this in its figure for internal repairs. But, again, since I haven't seen evidence to support Covea's figures, and it's clear this work needed to be done to put right the water damage, I'm satisfied it would be fair to settle at Ms S' figure – and Covea didn't challenge this when our investigator suggested it.
- That leaves one final point outstanding – VAT on the quotes. Covea hasn't offered to pay anything for this, whereas Ms S considers it should pay VAT on all amounts. She notes it offered to pay VAT on the strip out work.
- In my view, Covea has acted fairly on the VAT point. Ms S paid for the strip out work to be done, and she was charged VAT by the contractor. So it's right that her financial loss for this VAT is met by Covea. But none of the other work has been carried out – and nor will it – so she won't be charged VAT for it. That means the position with the quotes is different to the strip out work.
- Under the policy, Ms S is entitled to receive repairs – or their equivalent cost – to put right the damage. She's not entitled to receive VAT, other than to pass it on to a contractor, who will in turn pass it on to HMRC. That's because the VAT doesn't form part of the cost of the repair itself. It's *added* to the cost by the contractor, who is doing so effectively to collect tax on the repairs for HMRC. As Ms S won't be charged VAT on the quoted work, and won't be passing it on to HMRC, I don't consider she's entitled to it under the policy – and to receive it would put her in a better position than she ought to be. So I won't require Covea to pay it.
- So, for the reasons above, I agree with our investigator that Covea should pay a total of £25,924 to settle the claim. So that's what I'll require Covea to do.
- The previous decision awarded interest on this amount, so I can't award it again.
- Covea offered £100 compensation. I'm satisfied that's fair for the distress and inconvenience it caused when it handled the remainder of the claim, following the previous complaint.
- If Covea has already paid any of the offer it made to settle these parts of the claim, and/or the £100 compensation it recently offered, that can be deducted. If not, it should be paid in full.

My final decision

I uphold this complaint.

I require Covea Insurance plc to:

- Pay £25,924 to settle the claim.
- Pay £100 compensation*.

*Covea must pay the award within 28 days of the date on which we tell it Mr M and Ms S accept my final decision. If it pays later than this, it must also pay interest on the award from the deadline date for settlement to the date of payment at 8% a year simple.

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

James Neville
Ombudsman