

The complaint

Mr H and Mr H complain that Zurich led them to believe their claim had been accepted and would be settled. However, it was subsequently declined, and significant costs have been incurred. For ease of reading, I'll just refer to the one Mr H, but I have considered any and all their representations together.

What happened

Mr H has a property which he rents out, he has a landlord insurance policy provided by Zurich. The property was damaged following an escape of water.

Mr H contacted Zurich, who told him he could use his own contractors for the work. He considered this to be an agreement that the costs incurred would be covered by the insurance policy. Mr H went ahead and agreed with his own contractors for the work to be done.

However, when Mr H submitted evidence of costs in support of his claim, he was told they wouldn't be covered. That was on account of the property being unoccupied. Mr H complained, saying he'd understood the claim had already been accepted and that Zurich knew the property was unoccupied before he got the go ahead.

Zurich apologised and said the claim hadn't been accepted, but they agreed the adviser could've been clearer that might still be possible. Zurich offered Mr H £400 compensation for this lack of clarity, but maintained the claim repudiation was the correct decision.

Mr H remained unhappy so contacted our service. An investigator looked into the matter and agreed the claim decision was correct. He also agreed compensation ought to be paid and felt the £400 already offered was reasonable. Part of the investigator's reasoning was to do with prejudice, in as much as the repairs were required and so costs would've been incurred even if Mr H had been prior warning that they may not be covered.

Agreement couldn't be reached, so the matter has been passed to me to decide.

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.

Having carried out an initial review, I explained to Mr H that I was likely to agree with the investigator's conclusion. I didn't think Zurich had provided him with misinformation about claim acceptance. And I felt the £400 compensation was fair.

Mr H didn't agree and asked me to make a formal decision. In brief, he felt Zurich's offer of compensation was an admission of liability – that they had given him misinformation, or failed to give pertinent information. Mr H also felt Zurich had more than one opportunity to clarify their position, prior to him incurring costs. And that he may have been able to source cheaper repairs if he'd known

My first consideration here is whether Mr H was misadvised and, if so, whether that means policy terms and conditions applied in repudiating the claim should be disregarded.

Mr H says there were two calls prior to him incurring costs. I have been provided with and have listened to the first one. Unfortunately, the second one appears to be unavailable. That is unfortunate, but it doesn't prevent me from considering the case.

During the call I have listened to, I do not consider Zurich to have provided any assurance that the claim would be accepted, and costs paid. They talked about Mr H obtaining quotes and used language such as 'any successful claim' and 'any settlement'. I appreciate Zurich could've been more specific that if he went ahead and incurred costs the policy terms would still need to be taken into account before the claim is agreed.

But, I don't think they were explicit in saying it had already been agreed. I do appreciate that Mr H had put them on notice of the property being unoccupied and at that point they could have warned him policy terms may mean the claim won't be successful. That's why they've offered him £400, for their lack of clarity.

Given that I don't agree Zurich misled Mr H then prejudice doesn't really come into it. That said, it seems Mr H's preference was to have his contractors complete the work as they were already on site doing other work on the property. I know he says he might've been able to have the work done cheaper, and that he was told he didn't need to get numerous quotes for balance, but I don't believe he was misled.

That isn't to say I don't believe Mr H's assertion that he felt the claim had been accepted. I can understand his thinking there. It's just that I don't consider Zurich's lack of clarity to be quite enough to conclude they should be covering any of his costs – they didn't at any point say the claim had been successful nor that costs incurred would definitely be reimbursed.

There is of course the issue of the second call, but Mr H has suggested that was with another business – the insurance intermediary, or broker as they are sometimes known. I'd consider that to be an issue to be taken up with them though.

Turning to the policy terms, for completeness, I have reviewed those and don't consider the claim repudiation to be unfair in relation to what the policy does and does not cover. Mr H has agreed the policy had been unoccupied at the time of loss and the policy says losses such as those incurred, will not be covered in those circumstances. I acknowledge this isn't an argument advanced by Mr H but it remains an important consideration in cases like this.

Overall, while I appreciate Mr H's strength of feeling here and I can offer empathy for the stress, financial and otherwise, this matter has caused him – I can't say Zurich ought to pay or contribute toward the repair costs. And I think the £400 offered is fair based on the fact they *could have been* clearer.

Putting things right

Zurich should pay Mr H the £400 compensation already offered – and which he says has previously been declined – should he now wish to accept it.

My final decision

My final decision is that Zurich Insurance PLC should put matters right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mr H to accept or reject my decision before 12 August 2024.

Will Weston
Ombudsman