

The complaint

Mr N complains about how U K Insurance Limited trading as Privilege Insurance (Privilege) settled a claim made under his buildings insurance policy.

Any references to Privilege include its agents.

What happened

A sewage drain collapsed in Mr N's garden. He arranged for a local contractor to carry out repair works and, after these were completed, Mr N realised he could make a claim on his buildings insurance policy, which happened in December 2023. Mr N provided Privilege with copies of the invoices and details of the repairs carried out.

Privilege considered the information provided and originally offered Mr N £367.94. Mr D said this was significantly less than he'd paid to have the repairs carried out and complained.

Privilege responded to Mr N's complaint in April 2024. It said the initial offer had been based on a lack of information about the cause of the damage. However, the settlement figure was increased to £1,232.54, less the policy excess. Privilege also offered £350 compensation for the distress and inconvenience Mr N experienced.

Unhappy with Privileges' response, Mr N referred his concerns to the Financial Ombudsman Service. His concerns were passed to one of our investigators who said the offer of £1,232.54 was fair on the basis it was what it would have cost Privilege to carry out the repairs and the compensation was fair in the circumstances.

Mr N didn't agree. He asked where in the policy terms it said he needed to evidence what had caused the drain to collapse and considered the compensation wasn't at a sufficient high to reflect the situation he'd experienced. The investigator didn't change her mind, so this case 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.

How the claim has been settled

Mr N proceeded to have the repairs carried out before he contacted Privilege. He's outlined the difficult circumstances he was going through at the time and I'm very sorry to read of all he went through. But having the repair work carried out privately subsequently meant Privilege couldn't carry out an assessment of the damaged pipes. And therefore, this meant determining what caused the drainpipe to collapse and whether the damage was covered under the policy much more difficult.

The policy terms say:

“How we settle claims

*If the **buildings** are damaged by any of the causes listed in Section 1, **we** will either:
...*

- make a cash payment.*

*If **we** can repair or rebuild the damaged part, but **we** agree to use **your** suppliers or make a cash payment **we** will only pay you what it would have cost **us** using **our** suppliers and therefore the amount **you** receive may be lower than the cost charged by **your** suppliers.”*

I'm satisfied this clearly sets out that if a cash payment is made (as was going to be there case here given the repairs were undertaken before the claim was made) Privilege was entitled to pay Mr N what it would cost if its contractors had carried out the works.

I consider Privilege made reasonable requests to Mr N, asking him to provide information about what caused the drain to collapse. I appreciate he couldn't provide any more information beyond the invoices and videos available to him because the contractor he appointed didn't respond to his requests for more information.

However, whilst I empathise with the situation Mr N finds himself in, I don't think I can fairly ask Privilege to do more than is required by the policy terms. A claim had been accepted and Privilege asked Mr N to show the damaged pipe was caused by an insured event. And when satisfied with the information provided Privilege has made an offer based on what it would cost it to carry out the repairs, which is what Privilege was required to do under the policy terms.

I appreciate the offer from Privilege is less than other quotes Mr N obtained. But as our investigator said, insurance companies often have a network of contractors who work for them which means they are often able to arrange repair works for a lower cost. So, whilst not the answer Mr N is hoping for, I can't say Privilege acted unfairly in offering the amount it has and I won't be requiring it to increase this offer.

The compensation

Mr N has told us how difficult he's found this matter, from finding sewage in his garden to having difficulties in receiving updates on his claim and speaking to case handlers.

Whilst I can understand the circumstances that led to Mr N needing to make a claim were distressing, I'm not going to require Privilege to pay compensation solely because he had to make a claim. We wouldn't require an insurance company to pay compensation because someone had to make a claim under their policy, despite the circumstances being difficult.

It's clear the service offered by Privilege fell below the standard expected. Mr N shouldn't have needed to proactively ask for updates and chase progress in the way he did and should have been told from the outset that he needed to obtain information about the suspected cause of the drain collapsing. However, I consider the £350 offered fairly compensates Mr N for the distress and inconvenience caused by Privilege's handling of the claim.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 21 April 2025.

Emma Hawkins

Ombudsman