DRN-4944779

The complaint

Mr C is unhappy with the service provided by Royal & Sun Alliance Insurance Limited (RSA) following an escape of water claim made on his home insurance policy.

RSA is the underwriter of this policy. Part of this complaint concerns the actions of third parties instructed on the claim. RSA has accepted it is accountable for the actions of third parties instructed by it. In my decision, any reference to RSA includes the actions of any third party instructed.

What happened

Mr C held a home insurance policy with RSA which included loss or damage caused by escape of water. The policy included a compulsory excess of £250. The policy terms and conditions explained in the event of a claim being accepted, RSA would pay:

> ***How much we pay if you go ahead with repairs, and if you don't***
>
> *Where repairs are carried out, the amount we'll pay will be either:*
>
> - *the cost of the work if it was carried out by our nominated contractor, or*
> - *the cost of the work based on the most competitive estimate or tender you got from your nominated contractors.*
>
> *We'll pay whichever's the lower amount.*
>
> *If the repair or replacement isn't carried out, the amount we'll pay will be:*
>
> - *the decrease in market value of your buildings due to the damage, or*
> - *what the work would've cost if it'd been carried out by our nominated contractor without delay, or*
> - *what the work would've cost based on the most competitive estimate or tender you got from your nominated contractors if the work had been carried out without delay.*
>
> *We'll pay whichever's the lowest amount.*
>
> *If we offer you a cash settlement, it won't make any allowance for VAT.*

In January 2023 Mr C contacted RSA to make a claim following an escape of water incident that had caused damage to several rooms in his home. Company R attended to discuss stripping out, and drying work. The notes from this visit recorded *'I confirmed if AA* [alternative accommodation] *is required we would look to organise that, he then confirmed his son has his GCSE's in May and would not want this to happen before he takes his exams, the loss adjuster is due to attend tomorrow.'*

The loss adjuster (company S) attended the following day. The notes from this meeting also highlighted Mr C's preference for work to begin after May 2023. It was also recorded '*I*

explained it is Mr's property so his choice but we would expect leak to be repairs to stop any further damage.'

Company S completed a schedule of work but this was limited to £1,258.15 inc. VAT and didn't include the strip out work needed before repairs could start. On 25 January Mr C sent an invoice for the cost of the trace and access of the leak, and repair costs for an electrician to repair of light fittings caused by the leak. Shortly after this Mr C contacted RSA asking for an update on his claim. It was recorded *'ph* [Mr C] *advised that they want to know a plan from June onwards once his son has completed his GCSE.'* Mr C also questioned whether he could use his own contractor to complete the reinstatement work. Mr C was informed that this could be an option, subject to validation from RSA.

In late February Mr C's wife (Mrs C) contacted RSA to discuss the claim. It was recorded '*wanted to know next steps so advised [company R] to book in start date for works. Mrs advised [son] will be taking exams so does not want work started or going on during this period so advised Mrs to liaise with RI* [company R] *direct to arrange best date to book works in. Mrs also wanted to know about AA as they have been told that this will be required whilst works are ongoing. Advised Mrs AA will be arranged for start date once we have this, if required. Mrs wanted to know what would happen once drying is complete, so advised that we would re-scope and then look to offer settlement less excess for them to use their own contractors for re-instatement works. Advised they can get some quotes for visible damage now if they wish to and we will look at additional damage once drying is complete. Mrs is happy with the above'.*

On 2nd March Mrs C contacted RSA and advised that company R had informed her that it would not be completing strip out work. Mrs C said she would obtain a quote for the strip out work. On 20 March Mr C sent RSA a quote by a local building company (company SA) for just under £29,258 to complete the remediation work needed.

On 17 April Mr C complained to RSA about the lack of progress of his claim, and the conflicting information provided about who would be responsible for completing strip out work. Mr C was also unhappy with the lack of clarity in the information provided about alternative accommodation, and the options available to Mr C for him and his family. On 20 April a site inspection took place to complete a new scope of repairs.

On 2 May Mr C chased RSA for an update on his claim as he hadn't received a response since the site inspection of 20 April. Mr C was informed that RSA was in the process of completing a scope of repairs. Mr C was also told alternative accommodation would be discussed once a start date for remediation work was agreed.

On 9 May Mr C was provided with the scope of repairs for his approval. Mr C referred the scope of repairs to company SA for review. Mr C also sought confirmation on whether alternative accommodation could be agreed to start by the end of June.

On 15 May Mr C informed RSA that '*our contractor has been over your surveyor's scope of works and it is confirmed as correct.'* Mr C also provided an updated scope of works from company S, saying '*I now enclose our contractor's amended quote to include items he had omitted from his first draft scope of works.'*
On 16 May RSA reached out to its partner company that specialises in finding AA, explaining *'I am looking for comparable costs for a 3 bedroom serviced apartment within close proximity of the risk address commencing from 01 July for a period totalling 3 months.'*

On 18 May Mr C informed RSA '*I really now must seek a most urgent response. We have to find alternative accommodation within little more than a month, in the midst of a well documented housing and rental crisis that is the worst in several generations. RSA has been*

guilty of delay, negligence, and failure to engage with this claim with any reasonable care or expected standards of professionalism. I will be instructing solicitors to advise on the damages to seek for the very real heartache and anxiety that has been caused to me and my family.' RSA informed Mr C that it wouldn't be able to agree to the property he had found because of the cost.

On 18 May RSA offered Mr C £26,855.33 excluding VAT (32,226.39 including VAT), in settlement of his claim. The email to Mr C explained:

> *Whilst I appreciate the most expensive of the three tender costs is arriving significantly less than the cost presented by your contractor, I will be happy to increase the offer to £26,855.33 Net (£32,226.39 Gross) as a full and final settlement figure. In the event where you reject the settlement figure, then I will be more than happy to engage the services from* [our contractor]*'.*

On 22 May RSA told Mr C that it would agree to cover the cost of the AA chosen by Mr C, which RSA had previously said it wouldn't pay for. Mr C was also informed '*The following payment can be processed once you have presented your account number/sort code and beneficiary name as stated on your account: 132 + 200 + 26,855.33 = 27,187.33 minus 250 excess = 26,937.33*.' To this, Mr C replied '*Thank you. Now I have a plan I can work with I no longer need to bother with a complaint'.*

On 30 May Mr C advised RSA that the property he had found was no longer available, as '*it is let out now through Airbnb until the end of July, and that the third bedroom (locked when we viewed it but we were told it would be available) will not be available!'* Mr C asked RSA to try and find a suitable property.

Mr C found another suitable property for AA, which RSA agreed to. RSA informed Mr C that he would have to pay for the rental deposit for his property. Mr C was unhappy about this, and registered a formal complaint about the handling of his claim, including the settlement amount offered, and the lack of AA options provided. RSA informed Mr A that it would be willing to pay the rental deposit on his behalf, and this amount would be deducted from the settlement offer, and paid to him at the end of his claim.

On 8 June RSA arranged for payment of £21,745.02 to Mr C, explaining the breakdown of this, as follows:

> ***Breakdown of payment:***
>
> - *NET amount for reinstatement works totals 26,855.33 + 132.00 for Plumbing invoice + 200.00 for Electrical invoice = 27,187.33*
> - *27,187.33 minus 5,192.31 (Accommodation Deposit) = 21,995.02 minus 250 excess = 21,745.02*
>
> ***Outstanding Payments:***
>
> - *VAT amount for the reinstatement works totalling 5,371.06 subject to seeing sight of the VAT invoice*
> - *AA deposit held back from the reinstatement NET figure totalling 5,192.31 subject to insurers receiving the full amount*

RSA didn't uphold Mr C's complaint in respect of the settlement amount offered, and the lack of AA options provided. RSA said it agreed there were occasions during the claim where its service could've been better- including conflicting information being provided. RSA paid Mr C

£300 in recognition of this poor service, and the impact on Mr C. Mr C was unhappy with RSA's response, and brought his complaint to the Financial Ombudsman Service.

Mr C informed this service the crux of his complaint concerns the settlement amount offered, and that's the complaint he'd like this service to determine. The investigator said that the offer to settle Mr C's claim wasn't reasonable. This was on the basis that Mr C hadn't been given any indication of when RSA's contractor could carry out the work, and this led to Mr C instructing his own contractor. Because of this, the investigator recommended that RSA pay for the costs of the work at completed on Mr C's home, subject to him providing invoices of this work. The investigator also recommended RSA pay 8% simple interest on each invoice, from the date the invoice was paid, until invoice is settled by RSA.

Mr C agreed with the investigator's findings. RSA rejected the investigator's findings, saying '*Mr C expressed a desire to use his own contractors from the very outset and as he was aware that we could have appointed someone and the lead time for their start date*.' As the complaint couldn't be resolved, it was passed to me for decision.

I issued a provisional decision on Mr C's complaint. This is what I said about what I'd decided and why.

What I've provisionally 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'd like to reassure the parties that although I've only summarised the background to this complaint, so not everything that's happened or been argued is set out above, I've read and considered everything that's been provided.

When we investigate a complaint about an insurer's decision on a claim, our role is to consider whether the insurer handled the claim in a fair and reasonable manner. To determine this, I would need to be satisfied that RSA has acted fairly and reasonably in its application of the policy terms. And having considered the evidence, I'm persuaded it has. I'll explain why.

RSA say the scope of repairs (agreed by Mr C) was put to tender, and three contractors confirmed they'd be willing to take on the work required to complete repairs. The rates applied by contractors appointed by a business are commercially sensitive. So these haven't been shared. But I'm persuaded by the evidence that RSA did seek to obtain quotes from its own network in order to progress Mr C's claim. And that these options were presented to Mr C for review.

Mr C was informed 'Whilst I appreciate the most expensive of the three tender costs is arriving significantly less than the cost presented by your contractor, I will be happy to increase the offer to £26,855.33 Net (£32,226.39 Gross) as a full and final settlement figure. In the event where you reject the settlement figure, then I will be more than happy to engage the services from [our contractor]'.

Following this email, Mr C was also informed the property he had chosen for alternative accommodation (which later fell through), had been agreed to by RSA. Mr C was informed payment would be processed to his nominated account. To this, Mr C replied 'Thank you. Now I have a plan I can work with I no longer need to bother with a complaint'. I'm satisfied at this time Mr C was agreeable to the actions proposed by RSA in settlement of his claim.

I've considered how this service would approach complaints about an insurer offering less for remediation work than what a consumer considers it would cost to complete repairs. Our

starting point for complaints of this type is that an insurer must offer to carry out an effective and lasting repair. I've seen that following receipt of the schedule of repairs from RSA, Mr C informed RSA that 'our contractor has been over your surveyor's scope of works and it is confirmed as correct.'

So the scope of repairs needed to put Mr C's home back into the position it would have been in had the damage not happened, wasn't disputed. As Mr C agreed to the scope completed by RSA for his claim, I'm satisfied what RSA had agreed to do, in order to indemnify Mr C for the damage caused by the escape of water, was fair.

Mr C was presented with the option to cash settle his claim. I'm satisfied Mr C was also given the option to continue his claim with RSA's own contractor. This was explained in the email to Mr C with details of the settlement offer, which also explained 'In the event where you reject the settlement figure, then I will be more than happy to engage the services from [our contractor]'. When a customer chooses to accept a cash settlement, we'd generally say a business is only required to pay the consumer what it would cost them to complete remediation work – which might be less than the cost to the consumer. I'm satisfied RSA's offer to Mr C is fair and reasonable on this basis.

Mr C says he had no choice but to go ahead with his own contractor because RSA had failed to provide a timescale on when it would complete repairs. I can appreciate it was a very stressful time for Mr C. And that he was looking for the claim to progress efficiently, given the fast moving market for getting a builder, and agreeing a start date.

The evidence I have seen supports that Mr C agreed to proceed with the claim with the offer explained by RSA, and the sum of £26,937.33 was transferred to Mr C in response to Mr C's agreement. I accept that Mr C later raised a complaint about what how much RSA had agreed to offer. But Mr C's actions at the time don't support that he was willing to discuss the possibility of using RSA's own contractor, or that he had concerns that doing so would result in the claim taking longer than going with his own preferred contractor.

Mr C has provided a detailed testimony about conversations he had had with several RSA representatives, that advised him of the lengthy timescales involved in finding a contractor, and where he was encouraged to source his own builder. When evidence is contradictory or inconclusive (or both) I have to make a finding on the balance of probabilities. That is what I find is most likely to have happened in view of the available evidence and wider circumstances.

I have reviewed the exchange of communication between RSA and Mr C after the settlement amount had been paid. The crux of these communications concerned the alternative accommodation options presented by RSA. It's also following these exchanges that Mr C made a formal complaint against RSA. Importantly the complaint at the time didn't highlight the issue of timeliness had Mr C chosen to go ahead with RSA's own contractor, and how he was forced to use his own. Given the dispute in question, this evidence in critical in understanding Mr C's complaint, and the remedy he is looking for.

I can understand Mr C's frustrations with now being left out of pocket, as a result of the work with company SA costing more than what RSA has agreed to pay. But I'm satisfied RSA gave Mr C the chance to be indemnified (by agreeing to complete repairs through its own contractor) but Mr C chose not to go ahead with this option. Mr C has explained his reasons for not doing this. But on balance, the evidence I've seen doesn't persuade me that the option to go with RSA's own contractor was unreasonable, or unsuitable for Mr C at the time.

Mr C has explained the crux of his complaint concerns the settlement amount. For completeness, I have briefly referenced Mr C's complaints about delay, and his claim for alternative accommodation (AA) as part of this provisional decision.

Mr C says there were substantial delays in the handling of his claim. RSA accept that it initially told Mr C company R would be handling strip out works, but later in the claim, Mr C was told to ask his own builder to complete this work. Mr C says this caused unnecessary delay to his claim. I accept that RSA failed to properly manage this part of Mr C's claim. But having considered the evidence, I'm satisfied it would've made little material difference to the timeliness of the claim. I say this because Mr C had made it clear that he didn't want repairs to start until the end of May (at the earliest). So even if RSA had appointed company R sooner (as it should've done), this wouldn't have made any material difference to the start date of repairs, given Mr C's preference for work to begin later. So although I accept the poor communication from RSA in respect of who would be responsible for strip out works, the impact of this was limited the frustration caused to Mr C by the lack of clear communication (as opposed to it impacting the timeliness of the claim).

I've also considered the conversations between Mr C and RSA about alternative accommodation (AA). And I'm persuaded RSA's explanation to Mr C about when this would be arranged, and why the search was cancelled by RSA, was reasonable. I appreciate Mr C was hoping for AA to be agreed as early as possible in the process. But RSA's explanation about this only being done once the scope of repairs was agreed is reasonable. And I've seen that once Mr C confirmed the scope of repairs, alternative accommodation was discussed in good time. I do think RSA could've offered to pay for Mr C's deposit when he requested it. But I think the overall compensation of £300 in recognition of this poor service is reasonable, given the short-lived impact on Mr C caused by this failing (as RSA later agreed to pay this deposit as part of its settlement offer for Mr C's claim).

Having considered the policy terms, I'm satisfied RSA's offer to settle Mr C's claim is fair and reasonable, and meets the requirements of Mr C's policy. I appreciate that this will come as a great disappointment to Mr C. But for the reasons explained, I won't be asking RSA to do anything more in settlement of this complaint. Mr C should contact RSA to discuss any outstanding amounts owed in line with its explanation of 8 June 2023.

My provisional decision

For the reasons given above, I am minded not to ask RSA to do anything more in settlement of this complaint.

Responses to provisional decision

I invited both RSA and Mr C to respond to my provisional decision.

RSA said it had no further comments to make. Mr C rejected the provisional decision, and explained his reasons for why.

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 thank Mr C for taking the time to provide personal information about his circumstances, and the impact on him and his family, over the period his claim has been on-going. Mr C has raised a number of points in response to the provisional decision. I've focused my comments

on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it has affected what I think is the right outcome.

Firstly I note Mr C's comments about how his alternative accommodation claim was handled. I note that this isn't the crux of Mr C's complaint. I acknowledged in my provisional decision that I think this could've been better handled. And that RSA's offer of compensation recognises this. So I haven't commented on it any further in this final decision.

Mr C feels strongly that RSA left him with no option other than to instruct his own builder. I've carefully considered Mr C's reasons for this. Mr C has highlighted that he wasn't given any indication by RSA on when its own approved contractor could commence repair work. I don't dispute that there were parts of the claim where RSA didn't clearly explain what work it would be undertaking. Specifically in respect of the strip out work (and I've explained in my provisional decision why I don't think this impacted the timeliness of the claim).

I can appreciate that because of the lack of clear communication about the strip out work, Mr C may have lost confidence in RSA's ability to manage his claim going forward. But I don't agree that this left Mr C with no option for his claim after the scope of repairs was completed. I've considered the exchanges between Mr C and RSA. And it's evident there was still a lack of trust and confidence on Mr C's part in respect of RSA's ability to continue to deal with his claim properly. But I'm persuaded that RSA did enough to make a fair and reasonable offer to Mr C once the scope of repairs was agreed. Importantly, the scope of repairs included all the work Mr C (and his own builder) agreed with.

Mr C has questioned whether RSA had tendered the scope of repairs in the way it has described. Mr C remains doubtful about the cost information provided by RSA. But I haven't seen any evidence to suggest that the work agreed to be undertaken by RSA's own approved contractor was inadequate or wouldn't have put Mr C back into the position he would've been in before the escape of water happened.

Mr C has described a conversation he had an RSA representative where he was informed '*At that visit, he told us in no uncertain terms that it was best to source our own contractor as the work was urgent and they would not be able to source their own contractor within a reasonable time.*' Mr C has said he was provided with verbal encouragement on many occasions to source his own builder. I've considered this evidence alongside the exchanges that took place by email following agreement of the scope of repairs. And on balance, I don't think it would be fair and reasonable to say that RSA was unable to provide a contractor to complete repairs on time, and that this left Mr C with no option other than to appoint his own.

The evidence I've seen, on balance, persuades me that there were instances of poor service during RSA's handling of Mr C's claim. I recognise this. But RSA shared a scope of repairs which Mr C (and his builder) agreed with, and the option to proceed with RSA's own approved contractor was open to Mr C. I can understand why Mr C chose to elect his own builder in the circumstances. But I don't think this makes RSA's service in respect of its offer to progress Mr C's claim, unfair or unreasonable. Mr C has referred to RSA being unable to source a contractor on time as his main reason for choosing his own builder to complete repairs. But the evidence I've seen, on balance, doesn't support this.

I understand my decision will come as a disappointment to Mr C. But Mr C's comments don't materially change the outcome of this complaint, or my direction for putting things right.

My final decision

For the reasons provided I'm not asking Royal & Sun Alliance Insurance Limited to do anything more in settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 30 August 2024.

Neeta Karelia
Ombudsman