

The complaint

Mr and Mrs V have complained about their property insurer Covea Insurance plc because of its partial settlement for subsidence damage to some of the windows at the front of their home.

What happened

Mr and Mrs V had a policy which renewed in 2020. At renewal the insurer behind the cover changed to Covea. That year Mr and Mrs V found they were having trouble securing the windows in the bay on the righthand-side of their home (when facing its frontage). They made a claim to Covea. Covea wasn't initially persuaded to offer cover, it felt the damage was longstanding. But it did later accept the property was moving.

Covea accepted the claim and completed repairs in first and ground floor rooms. But it felt the two righthand bays and a single sash window couldn't be repaired, although they likely could have been but for longstanding damage. It ultimately paid Mr and Mrs V £1,500 as a goodwill gesture to acknowledge what it would have cost to repair the windows if they were only suffering due to recent movement.

Mr and Mrs V were unhappy with this settlement. Because the windows were unsecure, they acted to replace them. They had to replace all five windows, including two lefthand bays, at the front of the home to keep it matching. This cost £15,595 in total. They also complained to the Financial Ombudsman Service.

Our Investigator felt Covea had accepted that all three windows had suffered subsidence damage. Our Investigator wasn't persuaded Covea's limited settlement was fair and said it should consider what it would have cost it to restore the windows, with a payment for that to be made to Mr and Mrs V. Our Investigator also said £250 compensation should be paid.

Mr and Mrs V wanted to know if Covea would come out to measure the windows in order to competently assess what their replacement costs would have been. They were worried that any further offer from Covea might not be accurately priced.

Covea said its experts handling the claim had determined the windows had suffered greater distortion than the level of movement it had witnessed occurring at the property. It felt that the windows had moved significantly before it became the insurer for the property, and it was that movement which had prevented it from being able to repair the windows. It felt that what it had paid was fair recompense for the cost of repair it would have undertaken if the windows had been in good enough condition to do so. Covea said that replacing the windows was betterment.

The complaint was passed to me for an Ombudsman's decision. I was also minded to uphold it but felt I could make a money and compensation award to resolve the window issue. So I issued a provisional decision explaining what I felt Covea should pay – £11,845, plus interest and £250 compensation – and why.

Covea said it accepted my findings. Mr V said he approved of them.

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.

My provisional findings were:

“Covea accepted this claim because whilst some of the damage may have been longstanding, given it had recently taken over as underwriter of the policy, an industry agreement required it to accept the claim. One of the reasons for that agreement is because subsidence often occurs overtime and the agreement is designed to protect insured's from being caught between two insurers disputing liability for the movement damage. In the circumstances of Mr and Mrs V's claim Covea would be able to seek a contribution for the claim from the previous underwriting insurer. So it feels illogical for Covea, in light of that, to dispute liability for what it says is longstanding damage.

In any event, Covea accepts that there was current movement to the property which affected the area of the three windows in question. And I have no reason to doubt Mr and Mrs V's word that they only became unable to secure the windows in 2020 when they made the claim. So it seems likely that the windows were damaged by that movement.

Covea has told us that the movement was minor – such that damage to the windows would have been minor and repairable. However, the condition of the windows, Covea has said, because of the previous movement, meant they couldn't be repaired. But I haven't seen any consideration from a suitably qualified expert in this respect. Nor any evidence of movement or measurements showing the distortion to the windows. But, importantly, Covea took on repair of this property, and if it has to fix old damage in order to resolve damage it is liable for, then that is what it fairly has to do. So I think Covea acted unfairly when it tried to settle on a goodwill basis for the damaged windows.

I note that Mr and Mrs V opted to replace the wooden windows with UPVC. I understand this mitigated the cost. I also understand they replaced all five windows to ensure an aesthetic match at the front of their home. I think they acted reasonably in this respect and accept that they couldn't wait any longer for Covea to have chance to replace the damaged windows. Covea isn't liable, under the policy, for replacing undamaged parts. But this Service does have an approach in this respect.

Replacing the damaged windows (alone) with UPVC would have created an aesthetic mismatch. And the cost of replacing them on a like basis, with wood, would have been prohibitive for Mr and Mrs V. It is though what Covea should have done. So I think it's fair that in replacing the damaged windows with UPVC they replaced the undamaged ones also in order to avoid the mismatch. Where undamaged parts are replaced to avoid a mismatch, this Service will, in certain circumstances, require the cost of the undamaged parts to be shared between the insurer and the policyholder. That is because whilst the insurer isn't (usually) liable for replacing undamaged parts under the policy, the policyholder wouldn't have had to replace them but for the loss subject of the claim. Often a figure of 50% is used to split that cost. I think it's fair to apply that approach here.

I think £11,845 is fair given the total price Mr and Mrs V paid for all five windows. As I said above the two lefthand bays weren't covered by the policy – but would fairly fall under our approach for matching sets, meaning Covea covers half their cost. The estimate which Mr and Mrs V provided does not breakdown the cost of each window. So I've worked out what I think is proportionally fair. There are two large downstairs bays. The bays upstairs are

smaller, so arguably will be supplied and fitted for a slightly lower price than those for downstairs. There's then the single window which would likely have quite a minimal cost.

Starting with the single window – fixed pane windows often only cost a few hundred pounds. I think it's fair to say a sash window would be slightly more. I'm prepared to say that the £595 part of the total sum would likely reasonably account for the sash window. I've then proportionately split the remaining £15,000 to account for two slightly larger and more expensive downstairs bays at £4,500 each and the two upstairs ones at £3,000 each. So the windows not covered by the policy, on the basis of this reasoned calculation, likely cost Mr and Mrs V £7,500. Half of that is £3,750 which, based on our matching sets approach, as explained, I think Mr and Mrs V reasonably have to pay. Taking that sum from the total of £15,595, leaves the sum of £11,845 for Covea to pay.

Mr and Mrs V paid their contractor a lump sum of £7,975 on 13 July 2023. Covea should calculate the interest due on this amount, applied on this sum from 13 July 2023 until settlement is made, and pay this to them. Their next payment to their contractor was for the sum of £3,987.50 on 7 November 2023. Of that payment Covea was liable for £3,870 (£11,845 less the £7,975 accounted for by the July payment). Covea should calculate interest, on the sum of £3,870, applied from 7 November 2023 until the settlement is paid and pay that sum to Mr and Mrs V.

I can see that this matter has been frustrating and upsetting for Mr and Mrs V. I'm satisfied that £250 compensation is fairly and reasonably due.”

As both parties are happy with my findings, I've no need to revisit or amend anything I said. Rather, my provisional findings are now those of this, my final decision.

Putting things right

I require Covea to pay Mr and Mrs V:

- £11,845 in settlement for their replacement windows.
- An amount equivalent to interest* applied on the sum of £7,975 from 13 July 2023 until settlement is made.
- An amount equivalent to interest* applied on the sum of £3,870 from 7 November 2023 until settlement is made.
- £250 compensation.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require Covea to take off tax from this interest. If asked, it must give Mr and Mrs V a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require Covea Insurance plc to provide the redress set out above at “Putting things right”.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V and Mrs V to accept or reject my decision before 3 September 2024.

Fiona Robinson
Ombudsman

