

## **The complaint**

Mr F complains about the way U K Insurance Limited (“UKI”) dealt with a commercial property insurance claim following damage caused to his home and the amounts paid by UKI to settle the claim.

## **What happened**

Mr F is the leasehold owner of his flat. The building insurance is provided by UKI. The policyholder is a management company (which I will call “C”) made up of residents of the building. Mr F is not named on the policy but it includes cover for his flat.

In July 2022 Mr F’s flat was damaged following an escape of water from another flat in the building. The damage was extensive and made his flat uninhabitable until repairs could be done. A claim was made on the policy.

UKI accepted the claim and agreed to cover the cost of the repairs but Mr F was unhappy with how it was dealing with the claim. UKI responded to an initial complaint from Mr F in October 2022 and offered compensation of £200 for delays up to that point.

Mr F then made a further complaint about a number of issues, including the claim settlement, excess deduction and payments for alternative accommodation. He was also unhappy that after initially dealing with him directly, UKI said it could no longer discuss the claim with him as it had been instructed by C not to do so.

UKI gave its final response to this complaint on 22 June 2023, in which it said:

- It would pay compensation of £750 for delays – in addition to the £200 for the previous complaint.
- If Mr F provided further evidence of costs and alternative accommodation it would consider those, but if there was no further evidence, it would pay a disturbance allowance of £2,715 for the period from 1 January to 30 June 2023.
- The settlement for repairs was reasonable, and Mr F’s quotes were excessive.
- It was checking if any other claims were made and if there had been others it would review the excess.

Mr F remained unhappy and referred the complaint to this Service. He said his main concern was regarding the bathroom – the estimate UKI accepted was for £7,200 to replace the bathroom, but this wasn’t itemised and the repairs were of poor quality. When he provided his own quote, UKI said that would amount to betterment but that wasn’t correct.

He was also upset about having to pay the whole excess of £2,500, and didn’t think £750 was enough to recognise the amount of stress caused – this affected his health and he needed treatment for this.

Our investigator explained that she was only considering the issues addressed in UKI’s second response from June 2023. She said:

- C is the policyholder and it was reasonable for UKI to discuss the claim with its representative; if Mr F is unhappy with C's actions, that was a matter for him to take up with C.
- UKI said the other two flats didn't make claims on the policy but it should have discussed the excess with C. Mr F may still have to pay the excess but UKI should still review this.
- Mr F was unhappy UKI didn't continue the alternative accommodation payments, but it was reasonable for UKI to seek proof of payments. In the absence of that, UKI's offer of a disturbance allowance was reasonable.
- UKI paid hotel costs for a trip to meeting, but not Mr F's travel costs. UKI should look to cover Mr F's petrol costs.
- In its final response letter UKI said it would review the repair costs if Mr F provided a breakdown and he had done that, so UKI should consider this.
- Mr F had suffered a great deal of distress, which affected his health and the compensation for this should be increased to a total of £1,000.

The investigator asked UKI to:

- review the excess applied to the claim as above;
- reimburse Mr F the amount he paid for petrol, for his journey in February 2023 before the cancelled visit;
- review the breakdown about the reinstatement works that Mr F has provided;
- pay Mr F £1,000 compensation in total.

She said any further disputes would need to be considered as a new complaint.

UKI didn't accept the recommendations. It said whilst C is the insured, the payments to Mr F were the only payments made, so the excess was applied correctly. It didn't agree it should make any further payments for travel costs, or a £50 increase in compensation to £1,000 total.

Mr F made some further comments, including:

- His contents should have been put in storage but that didn't happen, and then the contractors damaged various items.
- There was only £800 difference between the quotes for the bathroom. His quote was fully itemised but UKI's was not.
- With regard to accommodation costs, he couldn't move back into his home until the end of June 2023 and had provided evidence of costs.
- He agreed with the recommendations except the amount of compensation and said it was not fair that he should have to pay the full excess.

After considering the further comments, the investigator said:

- Mr F would have travelled for the meeting anyway, so it was fair that UKI paid for accommodation costs, but not for the mileage.
- UKI should review the excess applied to the claim as set out in her assessment, and the breakdown for the reinstatement works based on the information Mr F had provided.

- UKI should pay £1,000 compensation in total.

No agreement has been reached, so I need to make a decision.

### **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.

Mr F has provided detailed comments and evidence in support of his complaint. I have looked at everything but won't comment in detail on every point and will focus on the key points. Our role is to provide an impartial review, quickly and with minimal formality, making a judgement on what's fair, based on the main crux of a case.

The relevant industry rules and guidance say insurers must deal with claims promptly and fairly; provide reasonable guidance to help a policyholder make a claim and appropriate information on its progress; and not unreasonably reject a claim. They should settle claims promptly once settlement terms are agreed.

There's no dispute that the claim was covered. The issues concern the way UKI dealt with the claim and how it was settled. I'd expect the settlement to put the customer, as far as possible, back in the position they were in before the loss or damage.

Mr F is unhappy that UKI dealt with C and stopped speaking to him directly about the claim. C is the policyholder and Mr F is not named on the policy. So, although the policy includes cover for his flat, he isn't a party to the insurance. There were disagreements between Mr F and C, in particular about the repairs to be done to his bathroom. C advised UKI not to deal with Mr F and UKI followed that instruction. In these circumstances, I think it was reasonable for UKI not to wish to be involved in any dispute there might be between C and Mr F, and to deal with C – its policyholder.

The policy terms allow UKI to deal with a damage claim by rebuilding or restoring the property to substantially the same condition. UKI says that was done, and the additional costs Mr F sought would have led to the property being in a better condition.

UKI agreed a settlement for repairs in line with estimates, which had been agreed by C. On the face of it, that was reasonable. But Mr F raised some concerns about the quality of the initial work carried out to put things right and did not think the further repairs to the bathroom could be done adequately at the price agreed. He provided his own estimate, which was higher.

I appreciate UKI was concerned that would leave Mr F better off, which is not what the policy provides. But in its final response to the complaint, UKI said it would review the repair costs if Mr F provided a breakdown. He has done that. So I agree UKI should review the breakdown about the reinstatement works that Mr F has provided.

The policy terms say the excess is "*the first part of each and every claim*", which is in line with normal practice; it's a contribution made towards the cost of the claim. As UKI has settled the claim, it's entitled to deduct the excess from the amount paid.

The whole excess was deducted from the amounts paid for Mr F's flat. He says that's unfair, as two other flats were also damaged. The key point is not whether those flats were damaged, but whether they made claims that were settled.

UKI says only Mr F made a claim. If so, it may be reasonable to deduct the whole excess.

But C is the policyholder and is responsible for the excess under the policy. So UKI should have sought instructions from C about how the excess was to be paid.

I don't know what C would have agreed if UKI had done that; it may be the full excess would still have been deducted from the settlement for Mr F's flat. But I think it would have been reasonable for UKI to have sought C's instructions in the first place, so I agree it would be fair to review the excess applied to Mr F's settlement.

The policy includes cover for alternative accommodation costs. Mr F had accommodation through work but needed somewhere to stay at weekends. He said the accommodation offered wasn't suitable, so chose to stay with a friend. UKI agreed some payments at £900 per month. He's unhappy UKI didn't continue those payments, but it was reasonable for UKI to seek proof of payments. In the absence of that, UKI offered a disturbance allowance of £2,715 for the period up to June 2023, which was reasonable. I understand that has since been paid, so UKI doesn't need to take any further action on this.

UKI paid Mr F's hotel costs relating to a visit he made for a meeting to discuss the claim, but not his travel costs. Mr F said that visit was wasted, as UKI's loss adjuster didn't attend.

Two meetings were planned. The first, arranged by C with Mr F, took place. A second meeting was planned for the following day. UKI's position is that C didn't give consent for it to continue with this meeting, but UKI could have let Mr F know rather than waiting for him to contact it when the meeting didn't go ahead. So he had a wasted overnight stay. On that basis it's fair that UKI paid for accommodation costs but not for the travel costs, since Mr F would have travelled for the first meeting and incurred those costs anyway.

As explained above, this complaint only concerns the matters addressed in UKI's second final response sent in June 2023. UKI has paid compensation of £750 in relation to this complaint. Our investigator recommended a further payment to bring this up to £1,000 while Mr F has said a payment of more than £1,500 would be fair.

UKI didn't agree any further payment was fair. I note it referred to paying another £50 to make the total £1,000, but the payment of £200 made in response to the first complaint would not be relevant when considering this complaint.

Once UKI made the payment to C for the repair works, it had met its obligations in settling the claim. C was arranging the repairs, which Mr F said were unsuitable. He was also unhappy that some damage was caused to some of his contents. As this doesn't relate to works directly authorised or undertaken by UKI, it wasn't responsible for this.

However, there were delays and times when Mr F had to chase for replies. UKI could have done more to coordinate the communication with C and could have managed Mr F's expectations, explaining more clearly how everything would be managed and what UKI and C were each responsible for.

Mr F has explained how difficult the situation was for him; the claim took a long time to resolve, during which he couldn't live in his home. This was a very distressing time and affected his health. UKI wasn't responsible for all the issues Mr F faced, some of which were to do with his relationship with C. But it did make an already difficult situation worse.

I've thought carefully about the impact on him over a period of many months and consider a total of £1,000 would be fair for this complaint. So UKI should make a further payment of £250 to bring the total up to that amount.

I've set out below the further steps UKI needs to take. If there is any further dispute about the decisions it makes after reviewing the excess or the costs breakdown, Mr F may wish to raise a further complaint to UKI about that.

### **Putting things right**

To put things right, UKI should:

- review the excess applied to the claim as above;
- review the breakdown about the reinstalment works that Mr F has provided; and
- make a further payment of £250 to bring the total compensation for this complaint up to £1,000.

### **My final decision**

I uphold the complaint and direct U K Insurance Limited to take the steps and pay the compensation set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 8 November 2024.

Peter Whiteley  
**Ombudsman**