

The complaint

Mr P complains about U K Insurance Limited's ("UKI") handling of his claim following an escape of water, under his home buildings insurance policy.

What happened

In December 2022 a pipe burst in Mr P's home. The resulting escape of water caused extensive damage. Mr P was on holiday at the time and contacted UKI on his return to register a claim. The claim was accepted. A loss adjustor was appointed to arrange drying and for the repairs to be carried out.

Mr P arranged for a kitchen to be supplied. He describes difficulties dealing with the kitchen company and eventually opted to use a different supplier. He says UKI was aware of this no later than 18 October 2023. Mr P wanted some privately funded work to be completed by UKI's contractor. He didn't agree to the work it quoted for. But he says UKI has used this as an excuse to justify a cash settlement.

Mr P feels doesn't think it was fair to force him into accepting a cash settlement. He says the reason UKI did this was because he wanted to use a different kitchen fitter. He says this was the most financially beneficial part of his claim. Mr P says UKI's contractor didn't want to continue because it wouldn't be undertaking this work.

Mr P says the VAT element of the cash settlement wasn't explained to him. And that communication with the kitchen supplier had been poor. He says additional work to replace central heating pipework was suggested by UKI's contractor. He didn't proceed with this due to the cost. But believes this also influenced its decision to cash settle his claim. Mr P says his home has been left in an uninhabitable state for a long period, part of this is due to UKI's claim handling.

UKI responded to Mr P's complaint on 26 April 2024. It says there were delays on Mr P's part regarding the kitchen and material choices. Because of this, as well as the extent of private works he wanted to undertake, its contractor declined to continue with the repairs. UKI says it doesn't support its contractors carrying out private works. This is because of issues it causes during snagging work and with regards to liability. UKI says its policy terms allow it to cash settle a claim, which is what it did here.

UKI says it has no direct contract with the kitchen supplier Mr P was in contact with. If he has concerns it says he should raise this with the supplier. However, it says there was poor communication in relation to a site visit, and its original settlement offer was incorrect. To acknowledge this, it paid Mr P £150 compensation.

Mr P didn't think he'd been treated fairly and referred the matter to our service. Our investigator didn't uphold his complaint. She says UKI's policy terms allow it to decide how to deal with a claim. This includes the option of paying a cash settlement. She didn't think it was unreasonable for UKI to cash settle given the extent of the private work and delays on Mr P's side. Our investigator acknowledged there were some failings on UKI's part but felt its compensation payment was fair.

Mr P didn't agree with our investigator's findings and asked for an ombudsman to consider the matter.

I 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 done so I'm not upholding Mr P's complaint. I'm sorry to disappoint him. I understand this must have been a difficult time given the extent of damage caused to his home and disruption this caused. But I'll explain why I think my decision is fair.

We expect UKI to handle all claims effectively and in-line with its policy terms and conditions. Some disruption is unavoidable in these circumstances. But disruption due to delays and poor claim handling should be avoided. I've focused on that here.

Mr P's claim was logged on 23 December 2022. The claim records show a loss adjuster (LA) couldn't get through to him by phone to arrange a site visit. A letter was sent asking him to make contact. Mr P then called on 17 January 2023. He confirmed the contact details held by UKI were correct. UKI then sent an LA to inspect the damage on 18 January. The need for extensive drying of the property was highlighted. Damage was reported to the kitchen, dining room, WC, hall, and lounge. The records say Mr P was staying with family for the duration of the claim. A disturbance allowance was paid to acknowledge this.

It's reasonable for an insurer to first validate a claim and assess any damage covered under its policy. It took just under four weeks for this to happen. This is longer than I'd expect. But from what I've read this wasn't UKI's fault. Once its LA was able to contact Mr P a visit was arranged the following day. Mr P confirmed the contact details UKI had were correct. So, I can't see that it behaved unreasonably or was responsible for the initial delay.

The claim records show drying commenced on 24 January 2023 and completed on 11 April. A report dated 17 April by the LA says strip out works were completed. It refers to a further disturbance allowance that was agreed. The records say Mr P again advised he would stay with his family whilst reinstatement works were ongoing.

I think the records show the claim was progressing reasonably at this stage.

The next report from the LA is dated 28 April 2023. This provides details of contractor quotes for the repairs. The LA refers to a two-week lead-in period once contractors are appointed. A contract duration of eight weeks is anticipated.

The LA provided a report dated 13 June 2023. It says reinstatement works are ongoing at the property. The anticipated completion date is confirmed as 3 August. The next reports are dated 30 June and 8 August. Work is described as ongoing.

I can see from the claim records dated 26 October 2023 that the LA says the reinstatement work has been held-up as Mr P may want to carry out upgrade work to the kitchen and heating system. The note says he hasn't provided information in a timely manner. The record says Mr P has since been in touch with the LA and will provide estimates in the coming days. It can then be established what constitutes private work or if Mr P wishes to appoint other contractors. The claim notes say the anticipated completion date is unknown at this time.

A record dated 29 February 2024 says a kitchen design plan has now been provided by Mr P. The note says UKI's contractor is concerned about the amendments proposed to the reinstatement work. It refers to having visited the property four times and that little progress was made. The record says the contractor has reviewed the information Mr P has submitted, but it no longer wants to continue with the work. The claim records says Mr P wants to arrange the install of the bathroom and kitchen himself. The first reference to UKI wanting to cash settle the claim is set out in this note. It says Mr P is making too many changes that are effectively private works. And that the contractor doesn't want to complete this work. It says funds can be included in a settlement payment so Mr P can appoint a surveyor to manage the remaining works.

Mr P was subsequently offered £26,370.89 excluding VAT to settle the remainder of his claim. This was later increased to £34,809.58 excluding VAT. This includes a contribution for a surveyor's involvement calculated at 10% of the reinstatement costs.

I've thought carefully about whether it was fair for UKI to settle the claim with a cash payment when it did.

UKI's policy terms say:

"If the buildings are damaged by any of the causes listed in [Section 1], we will either:

- repair or rebuild the damaged part using our suppliers*
- pay to repair or rebuild the damaged part using your suppliers*
- 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 think these terms are clearly worded. UKI is able to cash settle the claim. The terms do say that it will only pay what it would cost to use its own suppliers. I don't think this would be fair here as it was UKI's choice to settle the remaining part of the claim. This means Mr P would need to pay his own contractors. Insurers often benefit from reduced contractor rates. So, I think it was fair that UKI revised its original offer and didn't rely on its preferred contractor rates when settling Mr P's claim.

I've thought about Mr P's view that UKI's contractor didn't want to complete the work because a large part of this related to the kitchen, and he wanted to arrange this separately. I understand his point that this made the job less financially beneficial. However, this wasn't the reason given by the contractor. It refers to delays involving Mr P and amendments to the scope of the work. This is supported by the claim records. I also note UKI's comments that it can be problematic when insured works are carried out alongside non-insured works. More specifically that this can lead to issues when dealing with snagging work and identifying who is liable for what part of the reinstatement. UKI's records say the LA was concerned that the claim was becoming *"too convoluted"* as Mr P wanted to fit his own kitchen, bathroom, and media wall, and for its contractor to do the remaining work.

I note Mr P's comments that it was UKI's contractor that suggested changes to the heating pipework. I've seen the quote it provided for this, and other work Mr P had asked for. I don't dispute what he says and I'm aware that he didn't agree to this work being undertaken by UKI's contractor.

I've read the email exchanges between Mr P and the kitchen suppliers he was in contact with. I've no reason to doubt what he says about the supplier being responsible for delays.

But UKI had no contract with the supplier. Any concerns Mr P has need to be raised with that company directly. I can't see that UKI is responsible for the lengthy delay that occurred from before October 2023 up until the end of February 2024. It was for Mr P to confirm the kitchen he wanted. From what I can see this took around five months.

In his submissions to our service Mr P says the media wall is being used as an excuse for UKI's contractor not to do the work. He says the kitchen delay only held up the rewiring. He says the kitchen plans were sent on 4 December 2023 and he queries why work wasn't done at this time.

I asked Mr P to demonstrate the date on which he provided the kitchen plans, as what he says differs from UKI's account. He responded to say an update was provided in December 2023. However, it wasn't until February 2024 that the plans were provided.

I also asked UKI for more information about why the work didn't complete on 8 August 2023. It says it was early in the process that it became apparent Mr P wanted a much higher specification kitchen. UKI reiterates that it was delays in Mr P deciding what kitchen he wanted and the layout that resulted in its estimated completion date not being met. It maintains that this was an issue from early on in the claim.

Having considered all of this I don't think it was unreasonable for UKI to decide to settle the remaining reinstatement work with a cash payment. Its explanation of the problems that arise as a result of private works overlapping with the insured works, appear reasonable. Extensive work was required to reinstate the ground floor. Given the delays relating to the kitchen, the changes in what Mr P wanted, and the complexities this could result in, I think cash settling the claim was a reasonable way forward.

I can understand that Mr P didn't want the added responsibility of arranging contractors and overseeing all remaining works. But a significant part of the reinstatement works was to be arranged by him anyway including the kitchen fitting, bathroom, and potentially a media wall. In the circumstances I think it was fair that UKI paid an amount towards the cost of a surveyor. I think 10% of the reinstatement costs is reasonable. I haven't seen evidence that it would cost more than this to oversee the works Mr P wanted UKI's contractor to complete.

I've thought about Mr P's comments that he wasn't told why VAT was excluded from the settlement payment. This is the approach usually taken in these circumstances as it isn't known whether the contractor a policyholder decides to use will be VAT registered. VAT is paid by the insurer once the relevant invoices are provided. I can't see from the records whether Mr P queried this with UKI. But I take his point that this could have been explained to him when the payment was offered.

UKI paid Mr P £150 compensation for poor communication resulting in a missed visit, and for the incorrect settlement it originally offered. I think this is fair, and reasonably accounts for the lack of explanation around the VAT point as well.

In summary I don't think UKI treated Mr P unfairly when settling the remaining of his claim with a cash payment. Its policy terms allow it to decide how to settle the claim. And I think it's given a reasonable account of why this was decided in these circumstances. I'm sorry Mr P's house was damaged, and he's had to arrange for some of the reinstatement work. But I think UKI's additional payment for the cost of a surveyor and its compensation payment are fair in acknowledging this. So, I can't reasonably ask it to do anymore.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 17 March 2025.

Mike Waldron
Ombudsman