

## **The complaint**

Ms K complains that Zurich Insurance PLC has treated her unfairly following an escape of water claim at her property.

## **What happened**

The background of this complaint and timeline of what has happened is well known to both sides, so I've not set this out again.

Ms K has experienced delays and issues with the quality of repair following her claim being made in 2021 and a number of complaints have been made since this point. This complaint is focused on the issues addressed by Zurich in its final responses issued on 28 September 2023 and 4 January 2024. Zurich said it was looking to cash settle the remainder of the claim as its contractors were not willing to complete any further work as they believed the relationship had broken down.

Our investigator looked at the complaint and explained why they felt Zurich needed to do more to put things right. They felt the cash settlement amount offered did not fairly reflect the cost of the work needed to put things right and he asked that this was increased.

They asked Zurich to pay the costs of a new front door and to increase the cash settlement for the repair costs for the kitchen. They also felt Zurich should increase the compensation it offered from £700 to £800. They felt the other items had been fairly settled with the cash settlement offered and they didn't agree it would be fair for Zurich to cover the losses Ms K said she incurred when a discount was provided to her tenants because of the property not having a working washing machine for a period of time.

Zurich increased its offer for the front door and work needed in the kitchen. This was accepted by Ms K and the only items outstanding were the laundry cost/reduction in rent and work to repair the boiler. Ms K feels this was damaged as a result of its storage while the escape of water claim was completed.

Our investigator confirmed that they felt a cash settlement to cover the replacement timer switch and labour costs associated with this and the other outstanding snagging is fair. They also explained why they didn't think it was fair to ask Zurich to pay the money Ms K said she lost as a result of the laundry costs.

Ms K maintained that she didn't accept the position on this and the complaint was referred for decision.

I issued a provisional decision on this complaint on 7 February 2025 and set out I was planning on reaching a similar outcome to that of our investigator. But I thought Zurich needed to do more with the redress offered. I've copied what I said below:

*I plan on upholding this complaint, mostly in line with the recommendation made by our investigator. But I think there is one element on which Zurich need to do more.*

*With a number of things now accepted and agreed on this complaint, I'll focus on the outstanding issues. But for clarity, I agree that Zurich needed to increase the offers made for the front door and Kitchen at Ms K's property and had it not offered this, my direction would have matched our investigators on this point.*

*This claim has been ongoing for several years, and it is clear this has caused Ms K a great deal of frustration and inconvenience. Zurich has recognised this across the complaints raised during this time and made a number of payments to Ms K in recognition of this. But I understand why now, with the prospect of a cash settlement, the idea of more inconvenience in needing to source trades to complete the final bits of snagging is not something Ms K is happy with.*

*However, Zurich is entitled to settle the claim how it sees fit, and this can include paying the costs of the work needed, over completing the repair works directly with its own contractors. With the issues that have already happened on this claim, I think it is understandable why it feels there is a breakdown in the relationship and to look to make a cash settlement is a fair and reasonable conclusion to the matter.*

*Zurich has said the following items and damage will be cash settled.*

- *Architrave and flooring repairs.*
- *The boiler timer part and associated labour costs with fitting this.*

*The reports provided by Ms K show works have been completed on the boiler previously and some of this work has not been accepted as being caused by the escape of water. But despite this, it has agreed to cover the outstanding parts cost and without it being confirmed this is damaged caused as a result of the initial incident, I think this represents a fair outcome.*

*Ms K feels Zurich should reimburse her for costs she incurred as a result of the property not having a working washing machine after the kitchen was refitted without the appropriate space left for the appliance to be reinstated. She told Zurich this was a cost she incurred as she provided a discount to her tenants which meant she lost out.*

*Ms K's policy says the following:*

*"We will not pay:*

*ii) costs which may cease or be reduced as a result of the damage"*

*So Zurich doesn't think it needs to pay the costs Ms K says she incurred when she applied a discount to her tenants.*

*If the washing machine was not able to be reinstated and this was because of the escape of water, the policy terms and this exclusion would be applicable. However, the washing machine could not be reinstated because of the damage from the escape of water. Instead, this is impacted by the quality of repairs completed by Zurich and its contractor, this meant although the property was habitable, it didn't have the use of the washing machine until the kitchen issues were rectified. It was this which resulted in a reduction.*

*I appreciate Zurich feels this is a reduction agreed by Ms K and this didn't need to be applied. But I think it is fair that it covers this cost, if Ms K can demonstrate the rent reduction for this period. It wouldn't be fair and reasonable for her to lose out because of the errors made by Zurich and its contractors, and this goes beyond the policy terms.*

*As I've said, I think the distress and inconvenience on this matter is clear and it has been going on for longer than is reasonable to expect. Zurich has paid compensation to reflect this over the years, but I agree with our investigator that an increase of a further £100 on its most recent offers, taking this to £800 in total is fair and reasonable.*

*There will be some further inconvenience to Ms K, and I cannot take this into account. But it should be recognised that this matter has been ongoing for many years and Ms K has been impacted personally by errors and an overall award of £800 for this most recent period is fair and reasonable and in line with this Service's awards.*

### **Putting things right**

*To put things right, Zurich will need to do the following:*

- *Pay the cash settlement offered to cover the costs of repairs to Ms K's flooring, architrave, boiler switch and labour costs.*
- *On receipt of evidence from Ms K of the reduction in rent in lieu of the property having no working washing machine, cover the cost incurred by Ms K with 8% simple interest added from date of loss until date of payment.*
- *Pay the distress and inconvenience offered across the two final responses, if this has not been paid already, with an additional £100 added.*
- *If it has not already done so, make the agreed cash settlement payment to Ms K for the front door and kitchen costs.*

Ms K responded and said she believes a number of areas are still yet to be considered in the overall claim/cash settlement. She said the electricity usage hadn't been covered for the 2 years her property was being repaired. Nor had the water usage costs during this period.

She also highlighted a number of new issues which have been raised with the loss adjuster and she would like raised with Zurich or considered by this Service. I've not listed these as they are not issues previously raised with us and Zurich will need the opportunity to consider these before we can comment on the approach taken.

Ms K also said she had evidenced the kitchen had been poorly repaired and this indicated liability for the impact of this. So, while she couldn't evidence the loss she's claimed for with the reduction in rent, she feels it is fair and reasonable for Zurich to cover this. Ms K also listed the issues with the kitchen, the boiler and flat alarm.

Zurich responded and explained why it didn't agree with the recommendation to cover the costs Ms K said she incurred as a result of the reduction in rent for the laundry costs as set out in my provisional 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.

I've set out above what Ms K has said she feels has not been considered in my provisional decision and this includes her receipts for utility invoices during the claim period. This is not something raised as an issue with this complaint. I appreciate Ms K has had a number of complaints with Zurich about the works completed and it might be this was raised previously. But as I set out, this complaint is focused on the issues raised and dealt with by Zurich in its responses issued on 28 September 2023 and 4 January 2024 only.

My provisional decision set out what I planned to say on the laundry costs/rent reduction and Zurich has raised some concerns with this. I also set out why I felt the cash settlement for

the other items was fair and that Ms K had accepted the other elements of this complaint and what our investigator had said on these.

I didn't refer to the alarm and whether Zurich needed to do any more here as this wasn't disputed. Our investigator said Zurich acted fairly when saying it would only consider any damage to the alarm if evidenced and Ms K can have a report produced herself to do this. In the absence of it and Zurich's loss adjuster assessment, it hadn't been demonstrated there was damage. I agree with our investigator that Zurich has acted fairly, with the expectation on Ms K to demonstrate there is a valid claim and it doesn't need to do more on this point.

I explained I was planning on reaching a slightly different outcome to that of our investigator. Although I broadly agreed with the approach taken, I had some concerns about one of the costs Ms K was claiming for.

The primary difference was a recommendation that it would be fair, based on the information provided, to ask Zurich to pay the cost Ms K said she incurred when she applied a discount to her tenants after the property was let out without a washing machine in situ. This was on the basis that Ms K could demonstrate a reduction was offered because of this issue.

I felt the reason the washing machine couldn't be re-fitted was because of the concerns over the poor workmanship when the kitchen was reinstated. Zurich had accepted a number of issues with the kitchen and snagging issues and made an offer to cash settle this with £5000.

Zurich responded to say it didn't think it was fair to say the replacement washing machine could not be fitted because of any errors with the kitchen refit. And while snagging issues have been accepted and a cash settlement paid for these, it maintained it wasn't fair to pay the costs Ms K said she incurred because of this.

Zurich has highlighted the details of the old and new washing machine. It shows the new washing machine to be bigger than the previous one. The difference is not substantial, but it is both wider and taller. The old machine was integrated and Zurich feels this means the margins for difference in size with the fitted appliance would not allow for a difference, even if only 2mm, which was the additional width.

Fitted appliances are often relatively flush to the width of the area they are integrated into. But I don't think a difference of 2mm would have likely caused an issue. And it doesn't persuade me that this, when considering an agreement to pay £5000 to cover the repair costs with the snagging issues with the kitchen overall, that the quality of the repair carried out was adequate. I think it is more likely, the overall quality of the repairs resulted in an issue with the machine being able to be fitted and not a difference in size of 2mm with the new machine.

However, Zurich has also raised questions about when Ms K's tenants moved into the property and a potential overlap with the time in which it was providing cover for the alternative accommodation (AA) cost to Ms K, when the property was deemed uninhabitable. I said I was planning on asking Zurich to pay the costs Ms K said she incurred when a deduction in rent was agreed because the property had no washing machine available. But this was to be paid on receipt of evidence of the above as Ms K hasn't provided a rental agreement to date which sets out this said discount and cost to her.

For clarity, it would not be fair for Zurich to make the payment I set out if there was an overlap in the period of AA and the start of the tenancy.

Zurich was paying AA to Ms K as her property, which she lived in previously, was not habitable due to the level of work and this is Zurich's obligation under the policy. But, it would not be expected to also cover any reduction in rent during this period and the nature of the property being rented out while AA was in place, raises questions over whether an additional benefit was received by Ms K. Simply put, if her property was fit to be tenanted, it is fair to say it is habitable from this point and the AA costs are no longer needed.

So, I think it is fair to highlight that I would not expect Zurich to cover the AA costs if: On receipt of evidence that there was a reduction set out in the tenancy agreement, the tenancy agreement shows there is an overlap in the let date and dates of the AA cover being provided.

Overall, I accept the concerns Zurich has with the AA and the rental agreement. But Ms K has said she is not able to demonstrate the cost she said she incurred when providing a reduction in rent. With this, she has said she cannot meet what I set out as needing to be done, before I would expect Zurich to cover the cost she was claiming for.

But if Ms K is able to demonstrate a reduction in rent, it is fair to expect her to also show there has been no overlap in the AA and rental agreement start date and this would be required before I would expect Zurich to consider any cost claimed for here.

I've not seen anything else to demonstrate that it would be reasonable to depart from my provisional decision on any other point. It remains that I think Zurich has acted fairly when offering the cash settlement it has for the items which have been demonstrated to be either poorly repaired or damaged by its contractors when completing the works. Items not covered like the alarm have not been evidenced as being damaged and it is fair to expect Ms K to evidence this before expecting Zurich to cover the costs.

Any items or issues not previously raised to Zurich will need to be raised as new issues with it and cannot be commented on in this complaint.

It is clear this claim has caused a great deal of frustration and upset to Ms K and this has been reflected with a number of payments over the period as complaints have been raised. Zurich has accepted the recommended uplift with its payment for distress and inconvenience in relation to this most recent complaint, reflecting the added distress to this situation which goes beyond what is reasonable to expect. And I agree the total award of £800 is fair and in line with what I'd expect to see.

### **Putting things right**

To put things right, Zurich will need to do the following:

- Pay the cash settlement offered to cover the costs of repairs to Ms K's flooring, architrave, boiler switch and labour costs.
- On receipt of evidence from Ms K of the reduction in rent in lieu of the property having no working washing machine. And with confirmation there is no overlap in time with the AA provided to her. Zurich should consider the cost incurred by Ms K with 8% simple interest added from date of loss until date of payment.
- Pay the distress and inconvenience offered across the two final responses, if this has not been paid already, with an additional £100 added.
- If it has not already done so, make the agreed cash settlement payment to Ms K for the front door and kitchen costs.

### **My final decision**

For the reasons I've set out above, I uphold Ms K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 28 March 2025.

Thomas Brissenden  
**Ombudsman**