

The complaint

Mr K has complained about his property insurer Accredited Insurance (Europe) Ltd (AIE) regarding a claim he made when there was a water leak at his home.

What happened

There was a leak in the loft at Mr K's home on 28 January 2023 – a lot of damage was caused, including ceilings coming down in both the kitchen and the bathroom. He called AIE and a loss adjuster attended on 2 February 2023. From there, about two weeks later, AIE offered Mr K around £7,000 in full and final settlement of the damage. Mr K was concerned as the property hadn't even begun to be dried – he'd moved into alternative accommodation (AA) and put undamaged contents items into storage. He wanted more detail from AIE about its offer and what was needed for the property but wanted to give it detail too. AIE felt it was best to wait for Mr K to provide his information to it.

In April 2023 AIE made a revised offer to Mr K. It said it would pay the out of pocket costs he'd proven he'd incurred for emergency work, costs to complete electrical work (less VAT), storage and AA costs for 6 months (February to July inclusive) and an amount for damaged contents. All totalling £17,825 and paid to Mr K, less the policy excess of £350.

At this stage Mr K was still concerned as the property had not been stripped or professionally dried – although he'd been doing what he could with some heaters. AIE said it would have a drying company attend. This took place on 2 June 2023, no work was undertaken, but a scope for strip-out work was subsequently compiled. Mr K also submitted three quotes for building work and a quote for redecoration to AIE.

On 15 June 2023 AIE put a further offer to Mr K. It said it would pay £10,831.25 as its cost to repair based on its scope which now took into account the strip-out work. That didn't include anything for undamaged matching items – the policy didn't cover for that. Plus £1,210.41 for ancillary costs to enable Mr K to have work done and £1,359.10 for additional, damaged contents items. All totalling £13,400.76. Or, it said, if Mr K wasn't prepared to accept a cash settlement for the works, its contractors could do it. It said it would discuss extending the AA payment previously made once the works had been booked to start.

Mr K was unhappy with this offer. He felt the cash sum wasn't enough – it was about a quarter of the quotes he had obtained. And he noted AIE had told him, if he wanted cash, that the settlement would be full and final – it wasn't prepared to offer it as an interim payment. Mr K was also not keen on the idea of having AIE do the work – he'd not been pleased with how it had handled the claim to that point – he felt it had been hard to communicate with and it had taken, for example, a month for it to send the drying company out after having promised to do so in April 2023. He also noted it had not offered anything for the stop-cock and sink pipe repair – parts damaged by the ceiling falling, nor reimbursed the VAT for electrical work, although he'd shown he'd paid it.

In July 2023 AIE told Mr K that it would pay the cash settlement to him of £13,400.76 if he was prepared to accept it in full and final settlement. As Mr K wasn't, it wasn't paid and Mr K complained to the Financial Ombudsman Service.

AIE then, at the end of October 2023, issued a final response letter (FRL) to Mr K about his claim and settlement concerns. It agreed there had been some delay by it and some lack of communication – for which it said it would pay £400. But it maintained its settlement offer was fair. It explained that it had not paid the sum of £2,569.51 (referring to it as a contents payment, made up of £1,210.41 for ancillary costs and £1,359.10 for contents) because Mr K had not accepted its settlement offer. It clarified that if Mr K was happy to accept this element of the offer, it would pay it.

Mr K was still unhappy so our Investigator reviewed everything up to the end of October 2023. She felt AIE's settlement offer for reinstatement work had been fair. She felt payments by it, as offered, should be made. She said AIE should pay the VAT on the electrician's bill and also the cost for the outstanding damaged plumbing repair. She also said though that AIE had caused more upset and loss due to its delays than its offer of £400 had recognised. So our Investigator said AIE should reimburse Mr K's storage and AA costs to the end of October 2023 and pay a total of £900 compensation.

AIE said it would agree with everything – apart from the compensation. It said it felt £900 was too much, but it would pay £650.

Mr K remained unhappy with the outcome, his biggest concern being with the reinstatement settlement. But he also reiterated details about how he'd been living in the damaged property again since returning in October 2023. At that stage, he explained, he'd been unable to continue to afford living elsewhere and returned home whilst work to reinstate his property was completed around him. This had limited his on-going claim outlay to storage costs, but caused him distress and inconvenience due to the way he was having to live.

The complaint was referred to me for an Ombudsman's decision. Like our Investigator, I was minded to uphold it. But I also felt that AIE should pay interest on certain sums and should be paying more for the buildings settlement. I further felt an additional award was required regarding Mr K's living conditions after he returned to his home whilst work was on-going, and for storage costs for a similar period. My findings were:

"To be clear, I am aware that Mr K returned home roughly around the time of AIE's October FRL. But the situation Mr K then found himself in was directly related to the actions and inactions complained about in the period up to AIE's FRL. Therefore, it's fair and reasonable that I take the 'loss' caused in the period after the FRL was issued into account as part of this complaint (about AIE's claim handling prior to the FRL).

A lot has happened, and both parties have provided a wealth of submissions for me to consider – albeit much of what AIE has provided are copies of letters and photos from Mr K. In this decision I may not refer to every piece of evidence submitted or point made by the parties. However, I can assure both that I have read everything and taken all of their submissions into account. There are a lot of points to consider, my intention though is to keep this decision as brief as possible.

Building settlement

I think AIE's settlement offer was flawed and, therefore, unfair.

- *AIE's offers were based on what it would cost it to do the work – its policy wording does not offer it the option to settle claims on that basis, only to repair or pay for repair.*
- *Its offer in February 2023 was made without taking important reinstatement work into account – ie professional opinion about strip-out work.*
- *Its revised offer took strip-out work into account – but it hadn't otherwise re-assessed the damage at the property after its visit in February, following Mr K's attempts to dry it out.*

- AIE's revised offer was £10,831.25, but this excluded VAT and no offer was made to pay VAT.
- It also did not include anything for undamaged matching parts.
- The sums Mr K had paid for VAT on the emergency electrical repair and for fixing the damaged pipe and stop-cock weren't included in that sum.
- It was offered conditional to Mr K accepting it in full and final settlement.

In respect of my last point there, I note AIE has said its systems don't allow it to make payments unless its policyholders agree to the sums. I can't comment on the systems AIE has put in place and chooses to use in management of claims. But the principle of only paying a policyholder a sum, which the insurer accepts it is liable for, if the policyholder agrees to that sum, is generally considered by this Service to be unfair. It results in an insurer keeping money in its pocket it knows its policyholder is entitled to receive. It also at least implies that a policyholder can't accept a payment and still complain about aspects they are unhappy about. That is unreasonable.

I appreciate that AIE did give Mr K an alternative – for it to do the work. But I don't see that it ever explained to him that it would re-evaluate what was needed once contractors were appointed. I think Mr K was left with the impression that all AIE would do was what was in the scope – a scope which did not take into account the claim related damage which had occurred post the early February 2023 visit, or undamaged matching items. So I don't think this alternative option was fair either. I think it was reasonable that Mr K wasn't minded to accept either option.

In my view then, AIE had left Mr K with no good options for progressing his claim, and with no money to begin to do any reinstatement work. I bear in mind the required reinstatement was extensive, with major damage in several rooms – including the key rooms of the kitchen and bathroom. I can understand why Mr K persisted with challenging AIE for several months, whilst living away from home before moving back to start doing what work he could. I think that his costs and upset in those respects stem from AIE's unfair and unreasonable settlement options.

In respect of settling the claim for the buildings, I'm minded to require AIE to pay Mr K £10,831.25, plus interest from the date of loss until settlement is made. This is a claim sum AIE accepts it is liable for but has never paid, so interest is applied to account for the lack of payment in that respect.

I've seen Mr K's quotes for reinstating his home including that for redecoration. But I'm not sure which, if any of these, he went with to reinstate his home in late 2023. I'm mindful he may have had to use alternate contractors to do work piecemeal, and or that he may have done some work himself. That would have been in order to keep costs down because AIE hadn't paid him any money to do the work, not even the £10,000 it accepted was due. I do think that would have been reasonable – but if that is the case, it does mean that I can't require AIE to pay him in-line with any of the quotes previously submitted.

What will need to happen is for Mr K to submit evidence of his outlay for repairs to AIE. Along with any details for any work outstanding and not yet completed, including estimates for the same if he has them. AIE will then need to consider further settlement for Mr K based on his costs for reinstating his home, less any sums paid. If Mr K paid VAT as part of those costs, it will have to include reimbursement of that in its settlement. If Mr K is unhappy with any settlement AIE subsequently makes, or won't make, he can make a further complaint.

Damage AIE didn't scope for and matching sets

In considering Mr K's costs AIE will have to take a sympathetic view on whether or not work done was likely related to claim related damage. After all it left Mr K in an untenable situation with its settlement offers. I know though Mr K took and submitted copious amounts of photos evidencing the water damage post February 2023 and they can be used to assist with determining what work was reasonably required.

Further, I'm mindful of the significant amount of water which escaped and the extensive damage which is not disputed – such as the ceilings coming down. In doing so I also note that, for example, AIE's scope didn't include anything for replacing kitchen units, whereas Mr K's quotes did. It seems likely to me, given the amount of water and falling debris, that at least some of the kitchen units would have been affected. If not immediately then in the aftermath, initially with unresolved moisture in the property and then as it dried. So when AIE considers Mr K's costs for reinstatement, if it feels it is not liable for parts such as kitchen units, it will have to explain to Mr K why that is. If he remains unhappy with any future settlement, including any explanation which accompanies it, he will be able to make a further complaint.

On the note of kitchen units, these are items which often form part of a matching set. As often do wall or floor tiles in a kitchen or bathroom. AIE has said it won't pay for any undamaged parts of matching sets, because its policy excludes the same. However, this Service has an established approach regarding matching sets – we don't usually find it fair for an insurer to decline all liability for undamaged matching parts. Rather, where matching equivalents to replace the damaged items can't be found, we expect an insurer to settle in part for the undamaged matching items. What a fair settlement in that respect might be has to be considered in the circumstances of each case taking regard of the matching but damaged/undamaged items in question.

As I've said, kitchen units and wall/floor tiles are two examples of matching sets – and I know two of the four tiled walls in Mr K's bathroom had to be stripped-out. So when AIE considers fair settlement for Mr K, it will have to take the matching sets approach into account for the kitchen and bathroom as well as any other areas which have matching sets comprising both damaged and undamaged parts.

VAT paid for electrical repair and the damaged plumbing

AIE paid Mr K £4,330 for electrical work. it said it would pay VAT when he was charged it and showed it he had been. As I understand it Mr K showed AIE he had paid the VAT. AIE has not disputed that its reimbursement of the VAT is outstanding. It should now pay this to Mr K, with interest added from the date Mr K paid the VAT until settlement is made.*

I note that AIE has not disputed the plumbing repair. It did initially say that it wouldn't cover the cost of repairing the pipe which caused the leak. That is reasonable, it hasn't suggested though that the stop-cock or pipe under the kitchen sink weren't damaged as a result of the water leak, by the falling ceiling. I think it should reimburse Mr K's cost in this respect now, which I understand was £165.00. It should apply interest to that sum from the date Mr K paid the invoice until settlement is made.*

Settlement for ancillary costs and contents

The total sum of £2,569.51 for these two aspects of the claim was offered to Mr K in June 2023. This was as part of the larger settlement to include building work. It was only in its FRL of October 2023 that AIE said Mr K could accept this sum in isolation from the rest of the settlement. It should have told him that earlier. If it had I think he'd have accepted that money. AIE should pay that sum now plus interest applied from the date of loss until the date of the October 2023 FRL.*

AA

AIE agreed to pay Mr K £5,400 for six months of AA ending in July 2023. Mr K told it his costs from August would be £1,000 per month. AIE didn't challenge that change in rate – but it told our Investigator that it wouldn't pay more as Mr K should have got on with reinstating the property. The fact remains though that AIE didn't ever settle with Mr K to allow him to complete any repairs at his home. He moved home in October 2023, at which point his cost for living elsewhere reasonably ended. I think AIE should reimburse Mr K's cost for living elsewhere between August 2023 and returning home in October 2023. Mr K will have to show it proof of his outlay and AIE will have to apply interest to any reimbursed sum from the date Mr K paid it until settlement is made.

Disturbance allowance

When Mr K moved home in October 2023 it was to an uninhabitable home. I understand that as well as not having a fully functioning or accessible kitchen or bathroom, at times after October 2023, the home was without any water or heating also. In circumstances like this, this Service expects an insurer to offer a disturbance allowance. This is for extra costs a policyholder likely incurs living in a property like this, it is often paid at a rate of £10 per person per day. It is not paid to account for upset caused living in those conditions – where that has occurred because of an insurer's failures, that is handled by a separate compensation award.

I don't know exactly when Mr K got the house in a better state of repair. I appreciate that doing any work was difficult for him with the situation AIE left him in, and that it was likely a slow process to get work organised and completed. But I'm mindful that the plumbing and electrics were mainly sorted in early 2023 – whilst Mr K had periods without power and the like after moving home, I understand that was on account of the larger repair programme. I've thought about what is fair here, even if not exactly reflecting what Mr K did. I think that it's fair to say that by prioritising key work, like reinstating the ceilings, the home could have been largely if not wholly habitable by the end of January 2024. That wouldn't have included all final decorations – but habitable means the main functions of the home are available – such as being able to cook and bathe. So I'm going to require AIE to pay Mr K £10 a day from the date he moved home in October 2023 until 31 January 2024.

Storage

I know AIE also covered the cost of Mr K's belongings being in storage between February and July 2023 at a sum of £1,248. He said his monthly costs for August onward would be slightly more, £238. I assume Mr K can show AIE a storage agreement or payments for the same to evidence that outlay. Mr K returned home in October 2023 – but he was only just then starting to reinstate his home. I think it's reasonable that he couldn't return his items from storage straight away. I think if AIE had been handling the reinstatement it would have at least kept the items safe in storage until dirty work, like ceiling replacement and plastering was done, and the home was mostly habitable.

I've said above that I think the home should have been almost if not wholly habitable by the end of January 2024. I'm satisfied that, in the circumstances here, it's fair to require AIE to pay Mr K's storage costs incurred for the six months, August 2023 to January 2024 inclusive. As noted, Mr K will have to show it proof of incurring these costs, and it will have to apply interest to any reimbursed sum from the date Mr K paid it until settlement is made.

Compensation

I think Mr K has suffered a lot of distress and inconvenience due to AIE's actions. It noted some delay and lack of communication. In addition, I've found that unfair settlement offers by it left Mr K in a dire situation – living elsewhere, unable to repair the property, until finally he had to move home into the unrepaired and uninhabitable house. He had to face and find ways of getting the work done with no financial input from AIE. I'm of the view that £1,500 compensation is fairly and reasonably due.

It may help Mr K and AIE to understand the context of that suggested sum. A compensation award of this amount is made by this Service when we recognise that substantial distress, upset and worry has been caused by an insurer's failures, with those failures also causing serious disruption to daily life over a sustained period. I'm satisfied that AIE failed Mr K as I've explained. And I'm also satisfied that those failures affected Mr K such as to warrant compensation in the sum of £1,500.

As far as I'm aware AIE has not paid any compensation to date (although £400 and then £650 were previously offered). Unless it shows me some compensation has already been paid to Mr K, and unless either party persuades me of a different sum in reply to this provisional decision, my final award will likely be for AIE to pay Mr K £1,500 compensation."

AIE did not reply. Mr K was generally pleased with the outcome but asked that I review a few points.

Mr K said he'd like me to make a ruling now on what AIE should pay for repair – and he provided some details of what he had paid. He said his financial situation is somewhat fraught and he's worried that AIE will cause delays if, after my final decision, he has to deal with it in respect of it deciding what to pay. Mr K said, if I maintain that AIE should consider his costs after my decision, that a timescale should be imposed for it to make the settlement in. Also that I should direct it to appoint a single point of contact for him to deal with. Mr K explained that his belongings are still in storage and asked that I amend my direction in this respect to require AIE to reimburse his storage costs until he is able to return his items to his home. He also asked that, to allow him to collect his items from storage, AIE is required to pay the cost of van hire for a week.

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 appreciate that Mr K is keen to get this finally resolved and I understand his worry about dealing with AIE post my final decision. However, AIE has not yet had the chance to consider the costs Mr K actually incurred in reinstating his home and the parties haven't engaged with each other about those costs and any settlement proposed for the same. So that stage of the claim still needs to take place before this Service gives any view on those costs (where my views so far have been about the estimates Mr K had initially submitted and the settlements offered by AIE).

I can't reasonably set a timeframe for this next stage of the claim, or require AIE to use a single point of contact. I simply don't know what will be involved in AIE's assessment, including which departments or specialists might be reasonably involved. For example, AIE may reasonably require additional detail from Mr K, which may take him, equally reasonably, a while to gather or submit. I have no way to know, at this juncture, what is required or how long that should take. But AIE is always under a general duty to act reasonably, including in a timely manner whilst not causing avoidable delays.

That said, to assist Mr K and AIE, if Mr K indicates he would like us to, I will ask our Investigator to forward his response to my provisional decision – which contained evidence of his outlay – to AIE. I'll ask our Investigator to request that an AIE claim handler then contacts with Mr K within the week to advise on next steps and give an idea to him of timescales. Hopefully that will, for both parties, facilitate an easy transition from the end of our complaint process back to the claim.

I'm not minded to amend my award regarding storage costs. I appreciate that Mr K has felt unable to return his items to his home. But I note he says he doesn't feel able to do that until it is fully reinstated. As I said in my provisional decision, I think Mr K should reasonably have had the house to a state where he could return his items by the end of January 2024. I accept it would not have been ideal to have items in the home where the remainder of decorating work would have needed to be completed around them. But that is often what happens and is required during claim reinstatement work. I accept though that Mr K may incur an additional cost when moving his items home – and that type of cost would generally be covered in a claim like this. So I think it's fair to say that AIE should consider any costs Mr K incurs to move his items home.

Having considered Mr K's response to my provisional decision, I'm not minded to change anything I said provisionally. As such, my provisional findings, along with my additional comments here, are now the findings of this, my final decision.

Putting things right

I require AIE to consider Mr K's costs for reinstating his home. In considering that loss and what it should pay for it, AIE will have to take into account what I've said above about latent damage and the matching set approach applied by this service. To allow AIE to do this, Mr K will have to submit proof of his outlay to it, if it has questions about any work, Mr K should cooperate with its reasonable investigations. Any final settlement can be made net of costs already settled for.

I also require AIE to pay Mr K:

- £10,831.25, its previously offered amount for building repairs, plus interest* from the date of loss until settlement is made.
- The VAT sum paid for the electrical repair, plus interest* from the date Mr K paid the VAT sum until settlement is made.
- £165.00 for the damaged plumbing repair, plus interest* from the date Mr K paid the invoice for this until settlement is made.
- £2,569.51, for ancillary and contents costs, plus interest* applied from the date of loss until the date of the October 2023 FRL.
- Reimbursement of AA costs incurred between August 2023 and Mr K returning home in October 2023. Subject to Mr K evidencing his outlay. With interest* applied to each sum reimbursed from the date Mr K paid it until settlement is made.
- A disturbance allowance of £10 a day from the date Mr K moved home in October 2023 until 31 January 2024.
- Reimbursement of his storage costs for the six-month period August 2023 until January 2024. Subject to Mr K evidencing his outlay for this. With interest* applied to each sum reimbursed from the date Mr K paid it until settlement is made.
- Consider costs Mr K can show for moving his items home (when he does so).
- £1,500 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 AIE to take off tax from this interest. If asked, it must give Mr K a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require Accredited Insurance (Europe) Ltd 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 K to accept or reject my decision before 17 October 2024.

Fiona Robinson
Ombudsman