

The complaint

Mrs U complains about the amount Royal & Sun Alliance Insurance Limited ("RSA") paid to settle her home insurance (buildings) claim. She's also raised concerns about its handling of the claim.

RSA is the underwriter of this policy i.e. the insurer. Part of this complaint concerns the actions of its agents. As RSA has accepted it is accountable for the actions of the agents, in my decision, any reference to RSA includes the actions of the agents.

Some of the contact with RSA relating to the claim has been from Mrs U's husband who isn't a policyholder. For ease, I'll refer to anything said by or to Mrs U's husband as being said by or to Mrs U.

Mrs U is represented in this complaint by Mr H, who is the loss assessor she instructed to assist her with the claim.

What happened

In June 2022, Mrs U made a claim under her home insurance (buildings) policy with RSA after her property was damaged by an escape of water incident. Mrs U was advised to get her own contractor to trace and fix the leak. She was told to send the invoice to RSA but the cost of the plumbing repairs wasn't covered.

RSA arranged for a surveyor to visit the property and assess the damage. The surveyor noted damage in the downstairs hallway, downstairs WC, lounge, kitchen and external lobby. He estimated the cost of repairs to be around £2,600. He also recommended asbestos testing and drying be carried out. So, RSA instructed agents to deal with these matters.

RSA had some difficulty validating certain aspects of Mrs U's claim, so it assigned it to an agent to deal with it on its behalf in August 2022.

In November 2022, Mrs U instructed a loss assessor (Mr H) to help her with her claim. The loss assessor visited the property and reported it was still wet and damp and that drying had not yet started. He prepared a schedule of works for repairs with a quote totalling over £50,000.

In March 2023, one of RSA's agents prepared a claim validation report estimating the cost of repairing claim-related damage to be £2,758 (excluding VAT).

Mrs U and Mr H raised concerns about the amount RSA were proposing to settle the claim as well as delays in progressing it.

In June 2023, RSA arranged for a loss adjuster to visit the property. Mr H wasn't able to attend as he was stuck in traffic, so the visit took place without him. After the visit, RSA increased its cash settlement offer to £9,644, which it said was based on its maximum liability within the terms and conditions of the policy. It apologised for additional delays while it was reviewing matters and offered Mrs U £350 compensation for this.

Mrs U remained unhappy and asked our service to consider her complaint.

I issued a provisional decision on 9 August 2024, where I explained why I intended to uphold Mrs U's complaint in part. In that decision I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Based on what I've seen so far, I intend to uphold Mrs U's complaint in part. I'll explain why.

I've considered everything Mrs U has told our service, but I'll be keeping my findings to what I believe to be the crux of her complaint. I wish to reassure Mrs U I've read and considered everything she and her representative have sent in, but if I haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen it or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and is a reflection of the informal nature of our service.

I thought it would be helpful to provide some clarity about the Financial Ombudsman Service's role and the scope of the complaint that I'm deciding. Our role is to resolve disputes between complainants and financial businesses, to help both parties move on. It isn't our role to handle a claim or to deal with matters as they arise.

I'm aware that Mrs U received a response to her previous complaint on 16 January 2023, which was about a delay in progressing her claim. In this, Mrs U was informed of her right to refer her complaint to the Financial Ombudsman Service, but she was told she must do so within six months of the date of the letter. It said that if she didn't refer her complaint in time the Ombudsman would not have RSA's permission to consider her complaint.

Mrs U's complaint wasn't referred to our service until 25 July 2023, which was more than six months after the final response letter sent to her on 16 January 2023. This means I am unable to consider the impact of any delays prior to that date in my decision.

In this decision I will be considering matters complained of from 16 January 2023 until RSA's final response letter of 10 June 2023.

Cash settlement

The policy's terms and conditions say:

"If the repair or replacement isn't carried out, the amount we'll pay will be:

- the decrease in the market value of your buildings due to the damage, or*
- what the work would've cost if it'd been carried out by our nominated contractor without delay, or*
- what the work would've cost based on the most competitive estimate or tender you got from your nominated contractors if the work had been carried out without delay.*

We'll pay whichever's the lowest amount.

If we offer you a cash settlement, it won't make any allowance for VAT."

I can see that RSA offered to arrange for its contractors to complete the outstanding repairs. So, I think it's fair for the cash settlement to be based on what it would have cost RSA if the

work had been carried out by its nominated contractors, in line with the policy's terms and conditions.

Additional damage

RSA's surveyor who attended the property in July 2022 reported that the leak had caused internal damage to the lounge, hall, kitchen and downstairs toilet room. There was also external damage to the entrance lobby which required roof board/sheeting to be replaced. He estimated the total cost of repairs to be £2,614 (including VAT) which was subject to a policy excess of £350.

After Mrs U's loss assessor (Mr H) attended the property in November 2022, he prepared a schedule of works and a quote for repairs totalling £51,429 (including VAT). This included costs for repairs to the upstairs landing and bathroom in addition to the rooms referred to in the surveyor's report.

RSA says damage to the property could have worsened due to a lack of mitigation by Mrs U and this could also have accounted for some of the increased claim costs since its validators originally inspected the damage.

Mr H and Mrs U say further damage was caused to the property because RSA's agents didn't complete the strip out and drying of the property. Mr H says they removed the laminate flooring from the property but never returned to complete the strip-out or drying process. He says this was RSA's responsibility. Mr H also provided photographs of moisture readings he took at the property in November 2022 which he said exceeded acceptable tolerances. However, some of these appear to be higher than those recorded by the drying company who visited the property in July 2022.

Mr H says the moisture readings he conducted in November 2022, may have produced slightly elevated results in comparison to the drying company's summer measurements. He said these readings were taken at multiple locations, which can account for variations in data.

Mrs U has commented that the property was empty with no heating and winter had begun. She says the drying company was supposed to put in equipment to dry the property, but this never happened, although they had told RSA they had done so. She says she wanted to take out the carpets, but RSA advised her not to remove the carpets which were full of moisture. The property was getting damp and cold.

An insurer is required to handle claims promptly and fairly. It should also provide reasonable guidance to help a policyholder make a claim and appropriate information on its progress. I understand that drying works didn't go ahead as planned because RSA was having difficulty validating the claim. But I think it should have given Mrs U some guidance on what to do to mitigate further damage while it was deciding whether or not to accept her claim. And I haven't seen anything to show that it did.

However, following the loss adjuster's visit in June 2023, RSA's settlement offer increased to £9,644 (less the policy excess), which was considerably higher than the original surveyor's costing. So, RSA appears to have recognised that more work was needed which was attributable to the delays it was responsible for.

I note that this offer is still well below the amount Mrs U's loss assessor quoted for repairs. I think this is partly because RSA's cash settlement is based on the cost of using its own contractors. But I think the main reason for the large discrepancy is that Mr H's quote includes repairs to damage that RSA says wasn't as a result of the escape of water event.

Lounge

Mr H's schedule of works is showing a costing of almost £7,000 for the lounge downstairs. In an email to RSA's agent in November 2022 he said:

"Drying has not started, and the property is still wet and damp, including the carpets (photos attached), which are saturated."

The lounge carpet does appear to be wet in Mr H's photograph taken in November 2022. However, the surveyor who visited around four months earlier said there was only minor moisture noted in the lounge and drying wasn't required.

The report says: *"On inspection of the lounge, damage has been caused to the ceiling, walls and woodwork which is blistered and stained. Drying – Minor moisture noted, no assisted drying required..."*

The drying company who attended the property a couple of weeks after RSA's surveyor noted: *"Tenant advised that lounge carpet was very wet as water had travelling [sic] floor about halfway into Lounge. Lounge carpet is in poor condition generally and we could not see any evidence of water damage in Lounge to floor or carpet."*

While the lounge carpet might have become wet during the escape of water event in June 2022. The reports from RSA's agents suggest that this was dry when the visits took place in July. It's unclear how it might have become "saturated" by the time of Mr H's visit in November 2022. But given that repairs had been carried out to stop the leak before RSA attended the property, I think it's likely that there must have been some sort of intervening event that resulted in the carpet becoming wet when it had previously been dry.

I note that Mr H's quote includes the cost of removing and replacing the carpet. However, the cover Mrs U took out was for buildings only and carpets fall under the contents section of the policy's terms and conditions. So, RSA isn't responsible for covering the cost of removing or replacing damaged carpets.

Bathroom

Mr H's schedule of works includes costs of over £2,000 for repairs to the bathroom. However, RSA says the bathroom wasn't affected by the escape of water reported to it and the condition of the bathroom is related to general wear and tear / maintenance.

RSA's surveyor's report from July 2022 says the water hadn't caused any damage to the bathroom. It says: *"On inspection of the bathroom, there is no damaged [sic] noted to the bathroom, therefore no remedial works required."* It also says: *"unassociated damage to bath panel",* along with a photograph of the bath.

I note that Mr H's schedule of works includes supplying and fitting a new bath panel. But I think it's clear from the photograph in the surveyor's report that there was pre-existing damage to the bath panel. This damage doesn't appear to be consistent with an escape of water event.

I can see that Mr H has questioned why the bathroom floor hadn't been included in RSA's revised schedule of works from the loss adjuster's visit in June 2023. But RSA says this was because the leak wasn't from the bathroom, it was from the boiler which was why the flooring on the landing was damaged. The issues with the bathroom were not peril related.

Mr H has commented that RSA's surveyor's report (from July 2022) has photographic evidence which clearly indicates water damage to the underlying plywood of the bathroom floor. But I can't see any evidence of damage to the plywood in the photographs in the report.

Mr H has also commented that the report's claim of no floor damage in the bathroom, directly above areas with evident ceiling damage in the hallway and porch is contradictory. But I'd expect water from a damage pipe to travel downwards due to gravity. So, I'm not persuaded that there needed to be damage in the floor above the pipework.

Kitchen

Mr H says RSA is responsible for covering the cost of the kitchen units and worktops. He's commented that RSA's approval for replacing the ceiling, wall tiles and plaster behind the washing machine due to water damage is concerning. He says this suggests that the worktop and floor units were also affected. Since these components are located directly below or adjacent to the replaced areas, they would be highly exposed to the water.

The surveyor's report from July 2022 says: "On inspection of the kitchen, damage has been caused to the ceiling and wall. Assisted drying and strip out required."

The drying company's report says: "Kitchen: Artex ceiling no damage. Coving has minor water staining present. Wall 1 is half tiled. Top half is plaster and this has blown in some areas. No damage to ceramic floor tiles."

The cost summary part of the report includes an allowance to hack off plaster / rendering of wall in the kitchen and dispose of the debris and "plaster of wall 1 in kitchen from coving up to wall tiles."

I appreciate there aren't many photographs of the kitchen in RSA's surveyor's report or the drying company's report from July 2022. And neither of these reports make specific reference to the kitchen units or worktops. However, RSA's loss adjuster says the worktops and units showed no signs of damage when the property was visited. RSA has provided a number of photographs from the loss adjuster's visit in June 2023, and I can't see evidence of water damage to the units or worktops in these photographs. I can see some chips on the kitchen units, but these aren't damage to a point where I can reasonably infer any presence of water damage.

Although Mr H referred to damage to the worktop and floor units when he sent his schedule of works to RSA in November 2022, this isn't clear in the photographs he's provided. So, based on what I've seen, I'm not persuaded that RSA needs to cover the cost of replacing the kitchen units or worktops.

Asbestos removal

Mr H says he and Mrs U were informed that the Artex ceilings contained asbestos, but these were not removed by RSA or included in its schedule of works.

RSA's schedule of works includes taking down the hallway ceiling but there isn't any mention of asbestos. So, it seems to have been costed based on RSA's standard rates rather than the cost of it being removed by an asbestos specialist.

RSA's final response letter of June 2023 refers to an outstanding expense for specialist asbestos removal that it could finalise / arrange separately. But RSA has confirmed that it hasn't made any payments for asbestos removal to Mrs U or her representative. The loss

adjuster who attended in June 2023 has commented that he can't see any record of an agreement for the asbestos removal or that an amount was agreed.

I can see from RSA's notes that the company who carried out asbestos testing in July 2022 confirmed that the hallway ceiling had been found to contain asbestos. So, I think RSA is responsible for covering the cost of the specialist removal of the ceiling.

Mr H says the asbestos was removed using asbestos contractors at a cost of £1,500 including VAT. So, I think RSA should cover the cost of this, upon the receipt of evidence from Mr H or Mrs U.

Drying costs

Mr H says drying costs weren't included in RSA's schedule of works. However, the schedule of works from June 2023 has a line which says: "Drying per room @RSA rate per room". And RSA has confirmed this was included at a total cost of almost £1,000. So, I'm satisfied this was taken into account in the settlement RSA paid.

Delays

RSA says the reason it took so long to reach the point of its settlement offer was because of difficulties with validating the claim and negotiating the settlement. But it has also acknowledged it is responsible for delays in progressing the claim since Mr H's appointment and has paid £350 compensation for this. This is in the range of what our service might typically award where a business has caused considerable distress, upset and worry – and/or significant inconvenience and disruption that needs a lot of extra effort to sort out. So, I think this reasonably recognises the impact of avoidable delays on Mrs U for the period of time I'm able to consider in this decision."

I set out what I intended to direct RSA to do to put things right. And I gave both parties the opportunity to send me any further information or comments they wanted me to consider before I issued my final decision.

Responses

Mr H said he disagreed with my assessment of the bathroom and kitchen units. He said the photographs he'd provided were clear and do not support my findings. He provided some further comments relating to this along with some photographs.

RSA questioned why I'd said it should settle the cost of removing the Artex ceilings when it had said it would consider this cost in its final response to Mrs U's complaint. It said it didn't receive any costs for this. It would await the invoice to support the expenses incurred.

RSA also provided its comments in response to what Mr H had said about the bathroom and kitchen and answered some questions I'd asked for clarification.

Mrs U said RSA had said they couldn't remove the carpets and they'd had to remove some of the water with a wet vacuum which wasn't sufficient. She couldn't understand why RSA said it had agreed a rate with the loss assessor when it had appointed the drying company to do the job and it hadn't been done. She also commented that no one seemed to have acknowledged that the house was uninhabitable as it was causing breathing issues.

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.

In response to my provisional decision, Mr H provided a photograph showing a moisture reading of 99.9% on the bathroom tiles. He also provided a photograph which he said showed there was visible damage to the subfloor. He said this indisputable evidence confirms that the flooring beneath the tiles was saturated and compromised.

RSA's loss adjuster says the main floor area of the bathroom had no signs of damage (such as undulations or bowing). It's his opinion that the water damage under the bath was historic or due to a failed seal around the plug or bath allowing small amounts of water to seep through.

The loss adjuster told us that the photograph which shows damage to the subfloor was taken from the underside of the landing and airing cupboard. He provided a photograph of the airing cupboard which appears to be where the boiler was situated.

The photograph from Mr H shows a patch of water spreading out and what looks like boiler wiring. Having compared this photograph with the image from the loss adjuster, I think it was likely to have been taken from underneath the airing cupboard (where the boiler was situated), rather than underneath the bathroom as Mr H has suggested.

Mr H and the loss adjuster have given different accounts of the layout of the house and where the bathroom is located. This isn't something that I can easily work out from the photographs. However, Mrs U says the bathroom is at the front of the house. And given it's her house, I don't think she's likely to be wrong about this. So, I'm satisfied that the bathroom is at the front.

Mrs U says the leak wasn't in the airing cupboard. She says this was damp due to the spread of water and the leak was above the entrance hallway coming from the bathroom. The plumber removed the board under the bathroom in the porch to isolate the leak.

The surveyor's report from July 2022 says: "*On inspection of the entrance lobby, the roofing board/sheeting will need to be replaced, there is no other damage within this area.*" The report includes photographs showing the damaged board (which is presumably from the plumber accessing the pipework) and the ceiling void. Although the area within the ceiling void looks discoloured, there doesn't appear to be any damage other than to the roofing board.

Mr H says he obtained his moisture readings from the bathroom tiles, including the grout lines. He didn't measure moisture levels under the bath. He commented that the moisture readings weren't taken by RSA's surveyor or the drying company in the same area he took his, which was near the door.

I think it's clear that there were high levels of moisture in the bathroom when Mr H visited the property around five months after the incident. It's not clear from Mr H's photograph precisely where the moisture reading was taken. But it's not a big bathroom and other photos I've seen show that the door is close to the bath. The surveyor who visited around a month after the incident reported that there was no damage caused to the bathroom by the escape of water event, but there was unassociated damage to the bath panel, which was apparent in a photograph. I can't see evidence of damage to the bathroom floor in any of the photographs I've seen.

I acknowledge what Mr H has said about it being "*physically impossible*" for the bathroom flooring to remain unaffected because the bathroom was next to the damaged landing. But in order to uphold this part of the complaint, I'd need to see clear evidence that the bathroom

flooring was damaged by the event the claim relates to. And none of the evidence I've seen persuades me that there was damage to the bathroom floor.

Mr H has referred to two photographs which he says show two distinct areas of the kitchen units displaying evident signs of swelling causing water damage. He has commented that this compelling evidence directly refutes RSA's findings and that the moisture readings taken from the area significantly exceed acceptable levels. He's also questioned if RSA's loss adjuster had taken any pictures of the kitchen unit doors when open as this would have "*clearly revealed the swelling caused by water damage*".

Mr H also commented that it is "*physically impossible for the water damage to have stopped at the worktop without affecting the units and walls. The water would inevitably have flowed onto the floor, impacting these areas as well.*"

RSA says the water went onto the floor and it agreed to replace the tiles so they could be lifted to dry under them. It says the plinths may have been affected but the units were on feet so it couldn't see how damage could have been caused to them.

While I've considered Mr H's point, I'm more persuaded by what RSA has said. I think it's clear from the pictures of the kitchen that the units were raised above ground level. I appreciate Mr H feels the fact that the floor units were elevated is irrelevant because the water descended from upstairs. But I don't agree. The water coming from above would have settled on the floor. And the units weren't sitting directly on the damp floor. So, I think it is possible that they weren't damaged.

I acknowledge that the moisture readings from the units taken at the time of Mr H's visit in November 2022 were high. But this wouldn't necessarily mean that the kitchen units needed to be replaced because this alone doesn't evidence that they were damaged. As previously mentioned, RSA accounted for drying costs in the scope of works from June 2023. So, it might be that they just needed to be dried out, rather than replaced.

Mr H has circled areas on his photograph of the inside of the kitchen units and says this highlights the swelling. But the units don't look swollen in the photograph he's provided. The other kitchen unit photograph he's provided only shows a small area at the bottom, which appears to have some paint flaking off. But this looks like it could be damage due to wear and tear. There isn't any distortion, bowing or discolouration which would be more consistent with damage caused by an escape of water. So, the photographs don't persuade me that the units were damaged by the escape of water incident.

Having carefully considered the additional comments and information Mr H has provided, I'm not persuaded that the bathroom or kitchen units were damaged by the escape of water event claimed for.

I acknowledge what Mrs U has said about the drying company not carrying out the drying works as planned. However, as I explained in my provisional decision, an allowance was made for drying works in the loss adjuster's scope of works from June 2023. So, I'm satisfied that this aspect of the claim has been settled.

Mrs U has also asked about compensation for the property being uninhabitable. But the information from RSA suggests that Mrs U and her family weren't living in the property at the time of the escape of water incident. We've asked her to explain why she doesn't feel the £350 compensation RSA paid for delays is sufficient, but she hasn't provided any further comments. So, I haven't found reason to tell RSA to increase its compensation award for distress and inconvenience.

RSA has questioned my uphold outcome when it had already offered to consider the cost of specialist asbestos removal in its response to Mrs U's complaint. I appreciate RSA had already shown a willingness to add this to the settlement, but this element of the claim hadn't been paid when Mrs U brought her complaint to our service. So, my decision is considered to be an uphold as I am directing RSA to settle the cost of removing the Artex ceilings once evidence of this has been provided.

I appreciate my answer will be disappointing for Mrs U. But where two parties' versions of events differ, I have to establish what's happened on the balance of probabilities, based on the evidence. And having carefully considered all of the information available to me, I'm not persuaded to change the conclusions I reached in my provisional decision.

Putting things right

RSA should settle the cost of removing the Artex ceilings upon receipt of evidence of this from Mrs U or her representative.

My final decision

For the reasons I've explained, I uphold Mrs U's complaint and direct Royal & Sun Alliance Insurance Limited to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs U to accept or reject my decision before 11 October 2024.

Anne Muscroft
Ombudsman