

The complaint

Mr L has complained about his property insurer Admiral Insurance (Gibraltar) Limited regarding what happened after it became involved in resolving an escape of sewage water at his home.

What happened

There was an escape of waste-water under the floor at Mr L's home. He was asked to trace, access – for which Admiral would cover the costs – and repair the leak. This was done on 11 August 2023 and Mr L told Admiral that opening up works had exposed the escaped waste. Admiral appointed a company to deal with that, with the waste finally being removed on 19 October 2023.

Mr L and his family had moved out to stay with parents. Admiral started paying them a disturbance allowance (DA) to cover extra costs. When Admiral appointed a loss adjuster to manage things in December 2023, it was noted the house still smelled and it was decided that all of the contents of the home would need to be replaced. Admiral continued to investigate what was needed to repair the building. Apart from a short period over Christmas 2023, Mr L and his family remained living with parents. By May 2024 Admiral was planning further strip-out works at the property and waiting for start dates from contractors it had appointed to complete this and further sanitisation works.

In November 2023 and May 2024 Admiral responded to complaints Mr L had made to it. Across those two final response letters (FRLs) it accepted there had been delays in the claim, acknowledging that this may have impacted the extent of the repairs necessary as well as the need for replacing contents items, poor communication and issues with it arranging alternative accommodation for the family. It paid a total of £775 compensation.

Mr L remained unhappy. He said the amount of compensation paid, after Admiral had accepted how poorly it had handled things, was embarrassing. He said the amount of stress has been unbearable. Mr L said he is paying more to live out of the property, in their current living arrangements, than the DA covered.

Our Investigator reviewed matters, noting the compensation Admiral had paid. She felt it had responded fairly and reasonably in the circumstances.

Mr L was upset – he felt Admiral had caused a massive amount of distress and inconvenience by not handling the claim properly. He said it had turned from a simple leak issue, which should have taken a few months to resolve, to his family being out of their home for (at that time) nearly a year with the house likely needing stripping back to bare brick and all of their belongings having to be replaced.

The complaint was referred to me for an Ombudsman's decision. Having considered the complaint, I was minded to uphold it. I felt Admiral should pay additional compensation, a slight increase in the DA it paid in May 2024 and an amount to cover the cost of contents

items bought to allow the family to live in their parents' home. So I issued a provisional decision to share my views with both parties. My findings were:

"Compensation

I'm going to get straight to the heart of this – from what I have seen Admiral's poor management has completely caused the drastic extent of this loss. Admiral knew at the outset that this was a leak from a waste-water pipe. It knew from the point the pipe was fixed on 11 August 2023 that the property had been exposed to harmful, smelly waste toxins. Yet it did nothing to remove the waste for two months. With Admiral's contractor finally removing it on 19 October 2023. By which time, from what I can see, the toxins had completely permeated the home and belongings. I completely understand how stressful and heartbreakingly upsetting this was for Mr L.

Admiral issued its second FRL on 24 May 2024. This is the point up until which I can award compensation. At the point the family were still living away from home with a start date for further works pending, or possibly very recently arranged. If Mr L has any concerns about what happened after that point, and in respect of any continued on-going upset experienced after that time, a further complaint will need to be made. That is because I can't consider as part of this complaint, what Admiral was doing then, and I don't know how much longer Mr L was or will be out of his home, or what he was going through.

For the period I can consider – up until 24 May 2024, I'm not persuaded that £775 compensation is fair and reasonable for the extensive upset I'm satisfied Admiral's failures caused. Mr L should not have been left in a position where all of his family's personal possessions – bar the few they'd taken out of the house with them – needed to be replaced. Nor to be out of their home for months – nine months between the floor being opened up and the May 2024 FRL. And with many of those months seeing little happening to prevent further damage and/or to restore the home. I understand how immensely frustrated Mr L must have felt when, in May 2024, Admiral said it was looking again at plans for further sanitisation works (its maybe third or fourth attempt) to see if the smell, still pervading the property, could be resolved.

I also bear in mind that, during all of that, the family were living in less-than ideal long-term accommodation. I think staying with parents can be a good plan in the short term, especially where there are few rental properties available locally as I understand is the case here. But I also note that even when short-term alternatives were found by Mr L – such as for over Christmas – the communication was so poor from Admiral, that arranging these was almost impossible. Having given Admiral good notice of the need for Christmas accommodation it was only on the day before the arrangements were needed that they were finally authorised. I accept this added a lot of stress into an already deeply difficult situation.

I understand it's been difficult for Mr L to see his wife and young children suffer through all of this. I accept that has caused him additional upset.

Taking everything into account I think Admiral should pay Mr L £3,000 compensation. This is a higher sum that we often award for the length of upset in question here. Often where that is less than a year, as it is here, our awards will be in the region of £750 – £1,500. But my award takes into account the massive changes, upheaval and lasting impact Mr L has faced in replacing all of his and his family's belongings, as well as in facing major reinstatement work to his home. I note Admiral has paid £775 already, I intend to make it pay the difference between that sum and the £3,000 total which I feel is fair and reasonable.

Disturbance allowance

Admiral initially offered a DA to Mr L. This type of payment is not designed to cover all costs incurred whilst living somewhere that is not your home. Rather it is paid to cover 'extra' costs incurred in addition to those you'd usually spend anyway. As calculating that type of loss is at least incredibly difficult and often impossible, insurers pay a daily rate. In the past this has often been £10 per adult and £5 per child per day. That is what Admiral paid initially, and I think that is fair and reasonable.

In early 2024 though Admiral told Mr L that it had amended its rate of payment for DA. It said it was now paying DA at £11.60 per adult and £5.80 per child. So it said it would pay him DA until 25 April at this increased rate. I think that was fair and reasonable.

In May 2024, before the FRL, a need for a further ten weeks (seventy days) DA was noted by the loss adjuster. Seemingly though the loss adjuster had not been made aware of Admiral's decision to increase the rate. A recommendation for further payment at the old rate was made and Admiral did not spot that this created an 'underpayment' to Mr L (when compared to using its increased rate). I can't see any good reason for that lower rate being used, so I think it was unfair and unreasonable. Admiral will have to pay an additional sum to Mr L to reflect the difference in rates. I calculate that to be £34.80 a day for seventy days, totalling £2,436, less the £2,025 paid for this period, giving £411 for Admiral to pay.

To that £411 Admiral will have to add interest applied from 7 May 2024. This being the date it made the payment at the lower rate. And until settlement is made.*

AA contents items

Mr L has explained that he had to furnish his parents' home so they could live there in the longer term. Such as beds and a wardrobe. These clearly aren't things that Mr L was buying for his home. And an insurer will often cover the cost of, for example, hiring furniture where an unfurnished home is rented for alternative accommodation. In the circumstances here I don't think Mr L should reasonably be out of pocket for these items. I think Admiral should reimburse the costs he can evidence for items bought for the purpose of the family staying with parents. If receipts are provided, Admiral should also pay interest applied on any reimbursed costs from the date each item was purchased, which it is paying reimbursement for, until settlement is made."

Admiral said it largely accepted my findings. But it asked that I remove the requirement for it to pay interest on the AA contents items. It said that whilst Mr L had told it about these items, costs for them had never been submitted, so it hadn't had the opportunity to settle with him before for these items.

Mr L asked for a few points to be taken into account. He said he had organised the waste removal – the situation would likely have been worse if he hadn't. Mr L emphasized the additional stress caused by the accommodation issues at Christmas time, which all could have been avoided if Admiral had only handled things reasonably. He said matters have affected his partner greatly, causing an impact on the family's finances. Mr L said he was disappointed that Admiral had never taken account of the effect everything was having on them all. He noted that whilst they've been paid for replacing their contents – that doesn't take account of the upset caused by all of their belongings having to be thrown away and them not having access to their home. Which was all because of Admiral's failures in handling the claim. Mr L concluded by pointing out that whilst they'd tried their hardest to protect their home and contents, Admiral, whose role as insurer was to assist them at a time like this, had made matters far worse and shown a complete lack of care.

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'm not persuaded it would be fair to remove my interest award. As far as I can see, whilst Admiral knew of these costs, it didn't tell Mr L it would reimburse them or ask him to submit evidence of his outlay. I'm satisfied that, if it had have done that, Mr L would have sent it the necessary information allowing timely reimbursement to be made. The fact Mr L has remained without these funds is due to Admiral not handling the matter well and, as a result, interest is fairly attached to my reimbursement award.

I've noted the points emphasized by Mr L at this time. I can assure him they were all issues considered by me provisionally. I absolutely accept that Admiral failed Mr L here and that its failures had far reaching consequences, including causing significant impact on family life. I also accept that this could largely have all been avoided, or at the very least drastically limited. There's no good reason I can see why a claim like this should have reasonably resulted in the family having to lose and replace all of their possessions or in their home needing such extensive reinstatement work. With that acknowledged, my power to set matters right exists with making awards to reimburse financial loss and/or to compensate the policyholder for upset caused. I'm satisfied my awards set out provisional, and again below, provide fair and reasonable reimbursement and compensation in the circumstances here.

Having reviewed matters, my views, set out provisionally, on the merits of the complaint and what equates to fair redress in the circumstances, haven't changed. As such, my provisional findings, along with my comments here, are now the findings of this, my final decision.

Putting things right

I require Admiral to pay/reimburse Mr L:

- A further £2,225 compensation, where my total award is £3,000 but £775 has already been paid.
- An additional £411, plus interest* for DA. With interest* applied from 7 May 2024 until settlement is made.
- Costs incurred for buying furniture to live in the parents' home. With interest* being applied to any proven sums from the date of payment by Mr L until settlement is made.

*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 Admiral to take off tax from this interest. If asked, it must give Mr L a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require Admiral Insurance (Gibraltar) Limited 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 L to accept or reject my decision before 17 October 2024.

Fiona Robinson
Ombudsman

