

The complaint

Miss C has complained about her let property insurer Ageas Insurance Limited. She is unhappy that following a claim made to it in 2021 after localised flooding due to a storm, the matter remains unresolved.

Miss C has mainly been represented by her brother, Mr C. For ease of reading though, I'll mainly only refer to Miss C.

What happened

There was a storm which caused flooding in 2021. A property which Miss C owns was affected. At the time the property was let for £3.00 a month to Mr C. A claim was made to Ageas. It had some concerns over the claim and, when Miss C became concerned about how things were progressing, a complaint was made to the Financial Ombudsman Service.

Our Investigator at that time considered what had happened up until February 2022 – the date Ageas had answered that complaint. It was shortly after Ageas gave that answer, in March 2022, when Ageas accepted liability, and the claim was authorised to progress.

Ageas had a restoration and a reinstatement contractor complete scopes of work. They totalled less than £15,000. Miss C has presented quotes for repairs far in excess of that sum – one, for example, for £86,000. Miss C was looking to cash settle the claim and felt Ageas' scopes did not include all of the necessary work – such as replacing plasterboard. She also had doubts about their accuracy as one mentioned something about repairing a flat roof.

Miss C was unhappy that the contents claim and a claim for loss of rent were also outstanding. She felt she was owed £3,000 per month from the date of the flood for lost rent, yet Ageas wasn't agreeing to that. She was generally unhappy because, as of spring 2023, the claim had not really progressed. Ageas, considering concerns raised by Miss C, issued a final response letter (FRL) on 14 July 2023.

In the July 2023 FRL Ageas accepted that, since February 2022, there had been delays and poor communication. For that it apologised and offered £500 compensation. Ageas said the claims team would be in touch regarding settling the buildings and contents claim, they'd also review the claim for the garden tap, a fence panel and the garage door. Regarding the buildings settlement it maintained the sum offered (based on its scopes of work) was accurate. It said that it would pay loss of rent for the period of repairs, based on £3.00 per month for a period of six weeks. Regarding a request from Miss C to cover her loss assessor's fees (instructed when Mr C was ill), Ageas said it wouldn't do so. A concern Miss C had raised about premiums was acknowledged but not answered.

Our Investigator noted the delays, poor communication and compensation. She felt Ageas had responded reasonably regarding the loss of rent. She noted Miss C didn't have any expert opinion to challenge Ageas' scopes of work. She wasn't minded to make Ageas do anything more.

Miss C remained unhappy. Her complaint was referred to me for an Ombudsman's decision. I felt Ageas should be doing more. I issued the following key provisional findings:

"Scope of my findings"

In this decision, I will not comment on the outstanding contents claim, or the claim for the tap, fence panel or garage door. Ageas' July 2023 FRL promised escalation and review of these matters. If they still remain unresolved, and/or Miss C is unhappy with any settlement offered, a further complaint would be required to review what happened, after the July 2023 FRL, in respect of these issues.

As far as delay and claim handling is concerned, I will be reviewing what happen between the February 2022 and July 2023 FRLs. I won't be taking into account what happened before or after these dates.

I will, however, be taking some of the claim activity and reports into account from 2021 when considering the concerns raised about the scopes of work. The scopes were completed in 2022 but in order to consider whether Ageas has fairly and reasonably relied upon them as most likely representing the extent of its liability for loss, it's necessary to consider what happened and what was known in the earlier stages of the claim.

I will comment briefly on the premium. But both parties should be aware that, at this stage, I won't be making even a provisional finding about whether or not the premium Ageas charged post-claim is fair.

Buildings settlement/scope

Ageas has completed two scopes for work. It has used those to base its cash settlement for the claim. Whilst Miss C wants the claim to be settled in cash, it is up to Ageas to show the offer it has put forward in that respect is fair and reasonable. Which, at its simplest, means that Ageas has to show that it has scoped and costed for all relevant/necessary work required to reinstate the home. Having reviewed Ageas' file, I'm not convinced it has shown that here.

In 2021, shortly after the loss, Ageas had a loss adjuster attend the property. Reports from the loss adjuster recorded the following:

"The water damage has affected the following rooms....Bullnose step to stairwell".

And significantly (my underlining for emphasis):

"The damage caused by the water will inevitably mean that items which can permit capillary action will (and have) become affected (and are already showing signs of swelling/splitting), for example; skirting...low level plaster/plasterboard...internal doors...kitchen base units..."

Also:

"...the kitchen unit [sic] are damaged, the doors are damaged".

I've then reviewed the contractors' scopes produced over a year later. They don't seem to include a lot the damage noted by the loss adjuster. For example, they don't allow for removal of any plaster, repairing or replacing any kitchen units, no remedial action is detailed regarding the bottom stair, some wood fixtures – such as skirting – are down to be replaced, but internal doors are said to only require painting.

That disparity makes me think those scopes, as stand-alone documents, can't be relied upon as likely accurately reflecting the full extent of the reinstatement work required at the property. And I've seen no expert consideration put forward by Ageas which might explain why the content of the scopes should reasonably be relied upon in preference to the comments provided by its loss adjuster in formal reports.

I acknowledge that an initial review by a loss adjuster isn't a complete and comprehensive assessment of what repairs will be required. But often that means that, later on, more repairs are found to be needed than those initially identified by the loss adjuster, rather than significantly less (as is the case here). Here I have difficulty trying to understand how, for example, kitchen units showing signs of water damage in 2021, could be no longer damaged in 2022 and, therefore, not in need of repair/replacing.

So Ageas' scopes, in my view, aren't reliable indicators of the extent of its liability. Which means it hasn't shown that its offer to settle the buildings claim, which is based on those scopes, is fair and reasonable. I've thought then about how to fairly resolve this.

I don't think requiring Ageas to settle based on Miss C's quotes would be fair. For one thing Ageas is able to settle in cash based on its cost to repair – not what the necessary repair might cost Miss C to complete. But I also simply don't know if the extent of the works detailed in those quotes is fairly and reasonably due.

I think the fair way to sort this out at this time is to have Ageas appoint a surveyor to assess the property and compile a scope of works. I can see that the involvement of a surveyor was suggested earlier in the claim and that Mr C has recently been trying to obtain one on Miss C's behalf. I think a surveyor, at this stage, would be beneficial in determining what is fairly and reasonably required to reinstate the property as a result of the loss. I'm aware that the loss adjusting company involved in the claim has a related company offering surveying services. I don't think that surveying company should be used in this instance. I think, in the circumstances here, a totally fresh pair of eyes is required in order to be able to fairly and reasonably review the situation – which may well involve reviewing the efficacy of the loss adjuster's initial findings.

Once a scope has been determined, Ageas can review what it would cost it to carry out that work. Ageas can then offer that sum in settlement to Miss C – less any reasonable deductions such as the policy excess. If Miss C is then unhappy, she may be able to review her options by asking Ageas to complete the work and/or by making a further complaint.

Reference to 'flat roof' in Ageas' scope

I add this comment here for completeness. One of the scopes does make reference to a flat roof. In my view though it is not suggesting a repair for the same. The line above the reference is regarding reinstating the floor and the line underneath the flat roof reference reads "Code used for liquid dpm". Scopes are costed using certain codes, here it seems there was no code available for 'liquid dpm', so a code for a similar material was utilised – "flat roof – waterproof sealer – acrylic". That seems reasonable to me. Notwithstanding what I've said above about the scopes, I have no issue with this 'reference' to flat roof repairs.

Loss assessor's fees

These type of fees aren't usually covered as part of an insurance claim. It is up to the policyholder to make their claim – if they feel they need someone to do that for them, at a cost, that is their decision to make. This has clearly been a long claim for Miss C to deal with

but I don't think Ageas forced her to use a loss assessor, and I haven't seen that the loss assessor added worth to the claim. I'm satisfied that Ageas' refusal to cover these costs was fair and reasonable.

Loss of rent

This policy is similar to others in that it offers cover for loss of rent if insured damage to the property means it cannot be lived in (whether or not it does end up being lived in is a different matter). So if a property is uninhabitable due to an insured loss, the policyholder's lost rent will be covered. A water damaged home isn't necessarily uninhabitable – a property just being damp doesn't usually mean it is uninhabitable, sometimes even where drying equipment is in place, it will still be deemed habitable. To be uninhabitable there has to be a safety risk and/or a lack of basic facilities, such as power.

In 2021 the loss adjuster noted there was no power and the home was not habitable. The flood was initiated by a storm – but it was drains in the local area that had overflowed and caused the flooding itself. That water may or may not have contained sewage, but I don't think it can fairly be described as sanitary. So its presence, soaked into the fixtures of the home, presented a safety risk. Ageas hasn't explained why, in these circumstances and despite its loss adjuster's finding, it thinks the home was habitable. Unless it can persuade me otherwise, my final decision will likely reflect that the property was uninhabitable due to the flood.

Here Mr C was the tenant and the rent Miss C had stipulated for him to pay under the tenancy agreement was £3.00 (three pounds) per month. I understand that Mr C stopped paying this after the loss. Given the damage and the likely uninhabitable state of the home, that doesn't seem unreasonable to me. That, to me, in the circumstances set out here, seems like something claimable under the policy. I'm not sure why Ageas has only offered loss of rent in respect of the property's repair period. If my view on the property's habitability and what the policy reasonably covers doesn't change following the parties' response to my provisional decision, I'll likely require Ageas to settle Miss C's claim for lost rent based on the £3.00 (three pounds) a month she should have received from Mr C but did not. This to be paid until the home should reasonably be habitable following any claim settlement.

I know Miss C is claiming £3,000 (three thousand pounds) or more a month. It appears this is based on what she would have let the property for if using it as a house of multiple occupancy (HMO), as she had in the past. I understand Miss C intended to start using the house in this way again around the time the flood occurred. However, she'd needed to first obtain the relevant licences and resolve a property dispute. As far as I'm aware, the property dispute at least was still unresolved when the flooding occurred. As such I can't reasonably require Ageas to base any LOR settlement on sums Miss C might have received if her plans to relet the house in a more lucrative way had come to pass before the flood occurred.

I've noted below that Ageas has caused significant delays in the buildings claim settlement. I've considered whether that should mean it reasonably has to do anything different regarding the rent. I don't think it does. Because no new tenancies were in place before the flood, I can't be sure what would actually have happened if the claim had been resolved sooner. Which means I can't be sure that Ageas' delays caused a financial loss regarding any increased rental sums.

Claim handling, delay and compensation

As I said above, this part of my review begins in February 2022. At that time Ageas was reviewing its liability for the policy. It was about a month later when Ageas accepted liability. I don't think that was unreasonable in the circumstances.

Once the claim was accepted in March 2022, claim negotiations resumed. Ageas appointed contractors to scope for reinstating the home. But as pointed out by another agent of the loss adjusting company – the extent of drying works needed considering first. That failure I think caused about a month of delay.

It was May 2022 once both contractors had attended and returned their scopes. A settlement was then offered to Miss C but she wasn't minded to agree to it. And I've found above that Ageas reliance on those scopes wasn't reasonable in the circumstances. Effectively, as far as I can see, between May 2022 and Ageas's FRL of July 2023 the claim stalled because of the dispute over the buildings' settlement.

Overall I think the claim has been delayed by Ageas between March 2022 and July 2023 by around 15 months. I don't doubt this has been worrying for Miss C, and I don't think the £500 previously offered by Ageas fully recognises that impact over such a long period. But, in thinking about what sum would be fair and reasonable in the circumstances here, I also bear in mind that Miss C's inconvenience and stress will have been limited somewhat by not dealing with the claim herself. Further the property in question is not her home so her 'daily life' has not been impacted in the sense of her home being disrupted over a long period. I'm minded to require Ageas to pay Miss C £1,000 compensation.

Overall response period for this provisional decision

I've set this at four weeks. That allows for the week for Ageas to respond on the premium issue and for time to allow me to then review this matter, issuing my initial findings. It should also hopefully allow a fair time for both parties to come back to me on that issue, with them, in the meantime also being able to respond in respect of the rest of my findings. I'm not intending, at this stage, to extend that overall deadline beyond that four-week period."

Regarding Miss C's concern about the premium, I asked Ageas for details to allow me, following the above initial findings being issued, to assess that complaint point. When Ageas came back to me on that point, I considered the detail provided and issued the following provisional findings on that point to both parties:

Premium

"Miss C's complaint about the premium was clarified by her representative as follows: "Finally there is the issue of insurance premiums. Initially when the policyholder took out the insurance she paid just under £300. However, after the flood the premium went up to over £1,000. I think this is unfair in addition to being unacceptable. No other insurer was willing to insure a damaged property and therefore the policyholder was forced into continuing with Ageas."

The flood occurred in July 2021, with the policy renewing in December of that year. I understand it only renewed that once, lapsing in December 2022. I haven't seen the exact cost charged in December 2021 but, from what I have seen I'm satisfied it was likely around £1,000, with it having been just under £300 in December 2020 before the claim.

I appreciate why such a jump would seem unfair to Miss C. But it isn't unusual for the cost of cover to increase following a claim. By how much will depend upon a number of factors, not least the particular insurer's appetite for risk. This Service won't tell an insurer what risk it should accept or what it would be fair for it to charge – those are matters of its commercial judgement. But we will consider whether we think an insurer has utilised that judgement fairly. In its simplest term that means we'll take a view as to whether the insurer would have treated everyone presenting the same risk in the same way. When we do that, we'll be considering confidential, commercially sensitive, business information, so whilst we'll take a view on what that shows, what we'll be able to say about what we've seen will likely be limited. What follows from me is said with all of that in mind.

I can see that when the policy came for renewal in December 2021, Ageas considered whether cover could be offered, at what cost and whether additional terms need to be added. I can see that it took into account, at that time, the nature of the claim which had occurred and what the likely reinstatement costs were. I'm satisfied that this was all considered by the appropriate department responsible for overseeing matters like this. I'm satisfied that this was all done in the same way it would be for any other policyholder renewing in these circumstances. I'm also satisfied that whilst a substantial loading to the premium was applied (taking it from circa £300 to around £1,000), it's most likely that same loading would have been applied to any other policyholder presenting the same risks.

I'm not persuaded that Ageas did anything wrong in setting the premium as it did in 2021. I don't intend to make any award against it in this respect."

Ageas said it accepted my decision. Mr C didn't raise any objection to my findings, although he did provide some update in respect of recent dealings he'd had with Ageas about recent claim activity and asked for compensation to be awarded for contents items.

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 note Ageas has accepted my decision, and Mr C hasn't objected to anything I've said. From what Mr C has said it seems Ageas hasn't been responding – but that may be due to the current complaint process. However, I can't extend this decision to looking at what is happening currently. I also explained provisionally that my consideration would not extend to the outstanding contents claim. I'm satisfied that my award for Ageas to appoint a surveyor to assess the damage and necessary repair is fair and reasonable – it will be up to Miss C whether or not she chooses to accept my decision and allow for that assessment.

Having considered the parties' replies, I'm satisfied that I've no need to change or make any additions to my findings provisionally stated. As such, my provisional findings, including those issued regarding the premium increase, are now the findings of this, my final decision.

Putting things right

I require Ageas to:

- Appoint a surveyor, other than from the company linked to its current loss adjuster, to assess the damage and determine what work is required, at what cost, to reinstate the property.
- Offer settlement to Miss C for the buildings claim based on the surveyor's findings, taking into account any relevant policy terms.

- Settle the loss of rent claim at £3.00 (three pounds) per month from the date of loss to the date the property should reasonably be habitable again following any claim settlement.
- Pay Miss C £1,000 compensation.

My final decision

I uphold this complaint. I require Ageas Insurance Limited to provide the redress as set out above at “Putting things right”.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss C to accept or reject my decision before 23 October 2024.

Fiona Robinson
Ombudsman