

## **The complaint**

Mr K and Miss O complain about the settlement offered by Gresham Insurance Company Limited ("Gresham") for claims made under their home insurance policy, and also about their decision to decline a later claim.

Mr K has acted as the main representative during the claim and complaint process. So, for ease of reference, I will refer to any actions taken, or comments made, by either Mr K or Miss O as "Mr K" throughout the decision.

## **What happened**

Mr K made three separate claims in 2018 following an escape of water. These were investigated by Gresham and an offer made to settle the claims. Mr K appointed a loss assessor to act on his behalf in negotiations and correspondence with Gresham. Mr K then made a separate claim following damage caused to his roof which he says was as a result of vibrations caused by heavy machinery being used for construction work in his area. This claim was declined on the basis Gresham believed building works in the same area wouldn't cause such damage – and this was down to a maintenance and wear and tear issue. Mr K then complained about the settlement offered for the three escape of water claims and about Gresham's decision to decline the claim for the roof damage.

Gresham responded and explained they'd progressed all claims and their decision had been communicated to the loss assessor. They said, in respect of the claim settlement, they'd offered a full and final settlement of £3,754.88 net of the £300 policy excess, which Mr K had declined due to the higher costs he'd been quoted. Gresham referred to the policy terms and conditions which say they'll only offer a cash settlement in line with what it would cost them to carry out the repairs. They also referred to their decision to decline Mr K's claim for the damage to his roof.

Our investigator looked into things for Mr K. He thought Gresham had acted unfairly in their settlement offer for the first claim and recommended they increase their offer, add 8% simple interest to the increase, and pay £200 compensation. Mr K disagreed so the matter has come to me for a 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.

Having done so, I've decided to uphold the complaint. And, I think the investigator's recommendation here is a fair way to resolve matters. I understand Mr K will be disappointed by this but I'll explain why I have made this decision.

My role requires me to say how a complaint should be settled quickly and with minimal formality and so I'll focus on what I consider to be the crux of the complaint and the main areas of dispute. The dispute here relates to the settlement Gresham have offered Mr K for

the three claims made in 2018, and their decision to decline the claim made in 2021 for the damage to his roof.

### *Claims for escape of water*

The information shows Mr K made three separate claims for escape of water. When reporting the first claim, he explained he'd noticed water drops coming through the kitchen ceiling for a few days. The claim notes say, while carrying out an inspection, Mr K showed the claims handler from Gresham damage to the bathroom floor where floor tiles had cracked due to a second leak – and this led to a second claim. The claim notes also refer to a third claim, relating to damage caused by a third leak where the feed pipe to the kitchen sink had leaked and caused damage to the sink base unit.

Gresham then proposed a settlement offer of £3,754.88 after deducting the excess. This was broken down as £904.88 in settlement of the first claim – and was described as, *“repair of the damage to the kitchen ceiling and redecoration works due to the leak from the pipe within the ceiling void.”* Gresham described the second claim as, *“removal and replacement of the bathroom floor tiles due to the 2nd leak which was due to the leak from under the bath.”* And the third claim was described as, *“leak from under the kitchen sink which will involve replacement of the sink base unit.”* The information shows the settlement offered for the second and third claim was £3,150.58. This was based on an estimate provided by Mr K's contractor. I've seen this estimate, and this outlined the scope of work as, *“kitchen cupboard water damaged new cupboard required the kitchen sink will need to be taken out to fit the cupboard upstairs bathroom bath to be removed and basin and toilet to access water damaged tiles floors and joists need to be checked for damage retiling floor and replacing furniture.”*

Looking at the settlement offer for the second and third claim, I don't think Gresham have acted unfairly here. The settlement was based on an estimate provided by Mr K's contractor. I think that's fair in the circumstances here as I can see Gresham, in an email to the loss assessor in December 2019, said their contractors won't be able to carry out the works so the claim would have to be cash settled. I can see Mr K says this was only an interim estimate and didn't cover the full scope of works required. The information shows Mr K provided other quotes which were significantly higher than what Gresham had offered. For example, there are quotes for £17,000 and another for £19,000. But I'm not persuaded this means the estimate Gresham based their settlement on is inaccurate or unreliable. I say this for a number of reasons.

Firstly, the estimate doesn't suggest it's an interim invoice or that the scope is limited to only part of the work required. Secondly, I've compared the scope of work set out in Mr K's contractor's estimate with the scope of work outlined by Gresham in their breakdown, and it's broadly similar. I think it's also important to mention, Gresham say the other quotes provided by Mr K set out work which wasn't required. They give the example of repairs to joists and say these didn't need to be repaired. I can see Gresham arranged an inspection, and their claim notes say, *“...as agreed we cut through the ceiling in two different locations to inspect the joists for any hidden damage to the joists, none was found.”*

This was an inspection carried out by a contractor and, given what they were required to comment on, I believe they were an appropriate expert in these circumstances. So, not only do I find their comments persuasive, I also haven't been provided with any evidence to challenge their findings. So, I'm more persuaded the estimate which formed the basis of Gresham's settlement offer covered all reinstatement work required for the second and third claim. I won't therefore be asking Gresham to increase the settlement offer for this.

In relation to the settlement offered for the first claim, I can't see Gresham have taken the same approach here. The information shows the offer of £904.88 was based on a schedule of works, but the rates appear to be Gresham's own contractor rates, which isn't consistent with the approach they've taken to the settlement for the second and third claim. The information shows Mr K did submit an estimate for the first claim, which described the work as, *"To remove existing Ceiling and Lights. Inspect water damage repair leak replace ceiling with new plasterboards. Plaster Skim Ceiling Replace Lights Carry out electrical safety survey Redecorate Ceiling."* This provided a cost estimate of £1,850. The scope of work described here is broadly similar to Gresham's description of the first claim as well as the schedule of work they relied on when deciding on a settlement offer. So, I'm persuaded Mr K's contractor's estimate here covers the full scope of works required to reinstate his property in respect of the first claim. So Gresham should increase the claim settlement for the first claim from £904.88 to £1,850, and they should add 8% simple interest to the additional amount.

It's clear there has been frustration and inconvenience to Mr K as a result of not receiving a fair settlement offer for the first claim. The information I've seen shows that Mr K was already worried about the damage caused to his property, so it was frustrating for him to have received this offer. So, I think Gresham should pay compensation of £200 for the frustration and inconvenience caused.

I can see Mr K is also concerned about the length of time Gresham took to make a settlement offer for the three claims. Mr K believes, therefore, any settlement must take into account the fact that the cost of materials and labour has increased, and should be based on current rates rather than rates used five years ago.

The information shows Mr K reported the first claim in June 2018 and, over the next few months, a site inspection was carried out and Gresham made an initial offer to settle the claim. Gresham then chased Mr K's loss assessor for their decision on the offer and it was agreed Mr K would get some quotes. Gresham then chased Mr K's loss assessor for the quotes over a period of time. During this time Mr K also reported the second and third claim. A further site inspection was carried out in early 2019 and I can see Gresham continued to chase Mr K's loss assessor for information about further damage being claimed by Mr K.

The claims handler from Gresham then attended with a contractor and the settlement offer of £3,754.88 was made to the loss assessor and Mr K in November 2019. Gresham then continued to chase Mr K's loss assessor and, in email exchanges which Mr K was copied into, the loss assessor explained they were reviewing the offer. The information shows Gresham continued to chase but, having not heard back with an acceptance or rejection of the offer, they decided to temporarily close their file and explained this to Mr K and his loss assessor. They explained they would reopen this once they'd heard back from the loss assessor. There was then communication between Gresham and the loss assessor in 2021, but this was about the separate claim for damage caused to Mr K's roof. Mr K didn't then raise the settlement offer until July 2022, at which point Gresham referred to their email in November 2019 and again set out the details of their offer. Again, Gresham chased the loss assessor, and copied in Mr K, for their thoughts on the offer, and the loss assessor said they would review this - but I can't see any decision was communicated. Mr K then chased in March 2023. Gresham then explained their original offer still stands.

So, taking this all into account, I can't say Gresham have delayed in settling the claim. The information shows they made an offer in November 2019 after all information was received by them. Following this, I can't see that Mr K, or his loss assessors, accepted the offer despite Gresham chasing them for a decision. Given that I don't believe Gresham were responsible for any delays in settlement, it follows that I don't think Gresham need to recalculate their settlement offer on current rates.

### *Claim for damage to roof*

The information shows Mr K made a claim in 2021 where he explained building work was going on next to his property and the contractors were using heavy machinery. Mr K said this was causing the ground to shake and the vibrations had led to cracks appearing in the walls and door frame in the extension and upstairs. It was agreed that Mr K would monitor this and return to Gresham with an update. Mr K then arranged for his roof to be repaired by appointing his own contractor, in this case a roofing company, while Gresham were investigating this claim. Gresham then said this work had been carried out without Mr K submitting any quotes or any authorisation from them. Mr K said the work needed to be carried out immediately and explained the roof tiles had become loose and there was a risk they could fall and injure someone. Gresham then referred to Mr K's own contractor's report and declined the claim on the basis the damage was down to a lack of maintenance and wear and tear.

I've looked at Mr K's home insurance policy booklet. This sets out the terms and conditions and says Gresham won't cover, "*damage caused by wear and tear...or any damage that happens gradually...*" Gresham weren't given an opportunity to inspect the damage to assess the cause or to carry out any investigation. So, I think it's reasonable in the circumstances for Gresham to have relied on the findings of the roofing company appointed by Mr K to carry out the repairs to his roof. This roof report says, "*On looking at the original roof it was in very poor condition. There was tile alignment everywhere...Once the roof was opened up I found the roof trusses to be twisted and off set...I recommended the homeowners to have a new roof installed as the roof was failing also due to tears in the felt and the tiles had perished. There has now been a new roof installed by us...*"

Taking into account the information I've seen, I don't think it's unreasonable for Gresham to have declined the claim based on the policy exclusion which covers wear and tear. The roof report does refer to 'movement' but I'm not persuaded the contractor here has provided sufficient reasoning to suggest the cause is, more likely than not, down to movement caused by vibrations. I'm more persuaded the comments suggest wear and tear as being the cause of the roof damage.

I understand Mr K will be disappointed, and I am sorry to hear about the impact Mr K says this event has had, and continues to have, on his health. But I wish to reassure Mr K I've read and considered everything he has 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.

### **Putting things right**

I've taken the view that Gresham haven't offered Mr K a fair settlement for the first claim. So, Gresham should increase their offer from £904.88 to £1,850. Gresham should also add 8% simple interest per year on the additional claim settlement amount from the date they made their settlement offer to the date of settlement.

Gresham should provide Mr K and Miss O with a certificate showing any taxation deducted. Gresham should also pay Mr K and Miss O £200 compensation for the frustration and inconvenience caused.

### **My final decision**

My final decision is that I uphold the complaint. Gresham Insurance Company Limited must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K and Miss O to accept or reject my decision before 26 November 2024.

Paviter Dhaddy  
**Ombudsman**