

## **The complaint**

Mrs C is unhappy with the settlement she's received from Royal & Sun Alliance Insurance Limited (RSA) after making a claim under her home insurance policy.

## **What happened**

Mrs C has a home insurance policy with RSA. Mrs C's hob was damaged, so a claim was made to RSA.

Initially Mrs C asked for RSA to arrange for the hob to be replaced and paid the £250 policy excess to RSA's supplier. However, the supplier wasn't able to replace the hob until several days later, so Mrs C contacted RSA.

During the conversation with RSA, it was agreed a cash settlement would be provided instead and the excess already paid to the supplier would be refunded. However, when Mrs C received the cash settlement it was less than she was expecting so a complaint was made to RSA.

RSA responded to the complaint and apologised that the conversation Mrs C had with them was unclear, the call handler had confused things and she'd been told the incorrect settlement amount. RSA maintained the settlement paid was correct, but they paid £50 compensation for the confusion caused.

As Mrs C remained unhappy, she approached the Financial Ombudsman Service.

One of our investigators looked into things and upheld the complaint. She said that RSA's call handler had given incorrect advice regarding the settlement as they should have confirmed the excess would be deducted by them, separate to the supplier refunding it. Whilst she said it was fair for the excess to be deducted, she said the settlement before excess deduction should have been slightly higher.

The investigator recommended RSA pay a further £28.85 for the claim settlement, along with increasing the compensation to £100.

RSA agreed with the investigator's recommendations, but Mrs C didn't agree. As an agreement couldn't be reached the case was passed to me to decide.

I reached a different outcome to our investigator, so I issued a provisional decision to give both parties an opportunity to comment on my initial findings before I reached my final decision.

## **What I provisionally decided – and why**

In my provisional 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."*

*Having done so, I've reached a different outcome to our investigator. So, I'm issuing a provisional decision to give both parties an opportunity to comment on my initial findings before I reach my final decision.*

*I've listened to the call recording between Mrs C and RSA where the settlement was discussed. And I can see why Mrs C was unhappy when she received the settlement, as this was less than she was told she'd receive.*

*RSA's agent gave incorrect information about the settlement Mrs C would receive, and this stems from confusion over the policy excess. Mrs C had already paid her £250 excess to the supplier. But as they were unable to replace the damaged hob in a suitable timescale, a cash settlement was agreed with RSA directly instead.*

*Mrs C's policy terms confirm:*

*"Where we can offer repair or replacement through a preferred supplier, but instead you request and we agree to pay a cash settlement, then the amount will not normally exceed what we would have paid our preferred supplier."*

*So, RSA was able to provide a replacement, but due to the timescale being unsuitable for Mrs C a cash settlement was agreed instead. And in line with the terms, the maximum RSA would need to pay as a cash settlement of the claim is the amount that they would pay their supplier. The cost of the replacement hob to RSA was thought to be at that time £890.65.*

*What should have been explained to Mrs C by the agent is that the £250 excess would be refunded by the supplier (which it was), and the £250 excess would then be deducted from the £890.65 with the remaining amount being paid to Mrs C.*

*Instead, in error, RSA's call handler said the excess would be refunded by the supplier, and Mrs C would be sent a settlement of £890.65. This was incorrect. They should have told Mrs C the settlement she'd received would be £640.65 after the excess deduction. So, I can see why Mrs C was unhappy when she received £640.65 as it was £250 less than she was expecting and told she'd be receiving.*

*I can fully understand Mrs C's disappointment and frustration. During the call Mrs C clearly questioned the excess and pointed out that deducting the excess from £890.65 would total £640.65. But the agent confidently confirmed the settlement would be £890.65, and pre-excess deduction was £1,140.65, which was incorrect.*

*So, the settlement that was sent was the amount RSA's agent should have relayed to Mrs C, and she was misinformed. However, even though Mrs C was given incorrect information, it doesn't automatically follow that I'd direct RSA to pay that amount if it was higher than was actually the correct settlement under the policy. To do that here in this case would effectively mean there was no excess. But the excess is payable in the event of a claim, in line with the policy terms.*

*So, in principle, I don't think RSA is acting unfairly by deducting the excess from the settlement, which based on the above figures would mean she's actually been paid what she should have been told she'd be receiving. But I don't think that amount is fair in any event. I'll explain why.*

*RSA obtained three quotes for a replacement hob. And I agree with our investigator that it would be fair in the circumstances to pay the average of the three quotes. And*

*our investigator said that RSA should have offered (pre-excess deduction) £969.93, which she said was the average of the three quotes, instead of £890.65. So, she said RSA should pay the shortfall between the two amounts.*

*However, I don't think our investigator calculated things correctly. I'll explain why.*

*Our investigator said the shortfall that should be paid was £28.85. However, the difference between £969.93 and £890.65 is actually £79.28. It seems that our investigator took into account the shortfall between the settlement Mrs C received including the £50 compensation and then calculated the difference between that amount and the increased average amount after excess deduction (although this still doesn't quite add up to the amount she said). Whereas the compensation is separate and shouldn't be included in the claim settlement calculation.*

*So, the shortfall in claim settlement based on the above figures is actually £79.28, excluding the compensation. But I don't think this is a fair settlement in any event, and unless anything changes as a result of the responses to my provisional decision, I'll be directing RSA to increase the overall settlement. I'll explain why.*

*I've seen the replacement estimates from RSA. These are £890.65, £956.14 and £963. I agree with our investigator that it would be fair for an average of the three amounts to be paid (after deducting the £250 excess). But the average isn't £969.93 as the investigator said, and instead is £936.60 (£686.60 after excess deduction). So, the difference isn't £79.28 and instead is actually £45.95.*

*However, for the £963 quote RSA obtained, they added a further £100 for installation costs taking that total to £1,063. But against both the £890.65 and £956.14 quotes, against installation, it says Not selected. So, it seems that the cost of installation has been omitted from two of the three quotes, and the settlement paid too.*

*Therefore, unless anything changes as a result of the responses to my provisional decision, I'll be directing RSA to increase the settlement to £686.60, which is the average of the three quotes for the hob itself (after excess deduction) which would mean an additional £45.95 payment for the hob itself. And in addition to this, I'll also be directing RSA to add a further £100 for installation too based on RSA's quote. 8% simple interest will also need to be added to the additional amount due from the date of the previous cash settlement payment to date of payment of the additional amount.*

*It's clear that there has been a loss of expectation initially for Mrs C when she received much less than she was expecting based on the confusion caused by RSA's claim handler. And for the reasons outlined, I don't think that amount was correct in any event. And whilst RSA has already paid £50 compensation, I don't think that's sufficient given the overall service, incorrect advice, and shortfall in settlement. So, unless anything changes as a result of the responses to my provisional decision, I'm minded to direct RSA to pay a further £100 in addition to the £50 they've already paid."*

So, I was minded to uphold the complaint and to direct RSA to:

- Pay an additional £45.95 for the hob cash settlement
- Pay a further £100 for installation
- Add 8% simple interest to the above amounts from the date of the previous settlement payment to date of payment of the remainder
- Pay a total of £150 compensation (including the £50 already paid)

### **The responses to my provisional decision**

Mrs C responded to the provisional decision and said she accepted it and had nothing further to add.

RSA responded and they also accepted the provisional 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.

And I've thought carefully about the provisional decision I reached. As neither party has provided anything in response to my provisional decision that would lead me to reach a different conclusion, my final decision remains the same as my provisional decision, and for the same reasons.

### **My final decision**

It's my final decision that I uphold this complaint and direct Royal & Sun Alliance Insurance Limited to:

- Pay an additional £45.95 for the hob cash settlement
- Pay a further £100 for installation
- Add 8% simple interest\* to the above amounts from the date of the previous settlement payment to date of payment of the remainder
- Pay a total of £150 compensation (including the £50 already paid)

\* If Royal & Sun Alliance Insurance Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs C how much it's taken off. It should also give Mrs C a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 26 November 2024.

Callum Milne  
**Ombudsman**