

The complaint

Mrs W complains about the way Society of Lloyd's (Lloyd's) handled claims she made on a building warranty.

What happened

In 2020 Mrs W purchased a property which came with a build-zone warranty underwritten by Lloyd's.

Mrs W made a claim on the warranty for various issues with the property and a loss adjuster was appointed in February 2023. It was found there were issues with water ingress around doors and some windows. It thought they might have been poorly installed. It accepted claims for those under the policy. Later, it was found there was a lack of waterproof membrane under the ship lap boarding covering part of the property, which was allowing the water ingress into some windows.

In summer 2023 Lloyd's said Mrs W needed to pay three excesses, for the claims for the different issues found to the front and rear doors, patio doors and windows. Mrs W paid a total of £3,696 across the three excess payments.

In November 2023 Lloyd's said it had applied the index-linking to the policy excesses incorrectly and refunded the £696 overpayment Mrs W had made. Making the total excess paid to be £3,000 (£1,000 for each claim).

Some works were carried out including new doors being installed in November 2023. But Mrs W later raised concerns about the quality of the installation and damage to one of the doors. In January 2024, Lloyd's said the cladding and defective woodwork had been removed and the insulation installed. However Mrs W wasn't happy with the quality of the work that had been carried out, and the handling of the claim.

On 16 May 2024, Lloyd's responded to a complaint made by Mrs W. Lloyd's accepted that a new loss adjuster should be appointed to inspect the property, so that all outstanding repairs and issues could be discussed. It also said it would agree to Mrs W using her own contractor to complete repairs, so long as quotes were provided for the underwriter's approval before works were started. It also agreed to reimburse one of the excess amounts paid (at £1,000) and confirmed only two should have been charged (one for ill-fitting/defective doors and another for the lack of membrane fitted behind the cladding). It also said it would pay £550 compensation to reflect the unnecessary distress and inconvenience caused during the claims.

Unsatisfied with Lloyd's response, Mrs W brought her complaint to the Financial Ombudsman Service for an independent review. She said she thought only one excess should be payable and Lloyd's should increase its level of compensation as there is yet more stress to encounter for several months to come.

Our investigator thought Lloyd's had reasonably said two excesses should apply, however she said it had caused Mrs W inconvenience by applying the wrong index-linkage to the excess payments owed, and whilst that had been refunded by Lloyd's, she thought it should pay £150 compensation – in addition to the £550 already paid - for issues up until 19 May 2024.

She also said Lloyd's should add 8% simple interest onto the extra payments Mrs W made and it had reimbursed (the extra £1,000 excess paid and the £696 unnecessarily paid due to the mistake in indexing) to account for the time Mrs W had been unfairly without those funds. She said the interest calculation should be made from the date Mrs W paid those sums to Lloyds (10 August 2023) until the date of it reimbursed them.

Lloyd's ultimately accepted the findings of our Investigator. Mrs W asked for an Ombudsman to consider matters. She said she didn't think the compensation offer addressed the extent of the losses she'd suffered and the impact on her life. She also said there is a broader issue regarding Lloyd's accountability.

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.

As this is an informal Service I'm going not go to respond to every point made or piece of evidence referred to. Instead, I'll focus on those matters key to the outcome I've reached. I'm aware Mrs W has asked for a call with the deciding ombudsman to go over the issues she's faced. I haven't found it necessary to do so as I'm satisfied I have enough information from both parties to be able to reach a fair and impartial outcome on the matter.

It's not in dispute that Lloyd's didn't handle matters as well as it should have, so I'm not going to repeat the issues faced here. Instead, I need to decide there's been a reasonable offer made to resolve the issues. Having done so, I find that, following the investigator's view, there have been. I've explained why below.

Should two excesses apply to this claim?

Mrs W argues there is one issue, which is water ingress, so one excess should apply. Mrs W's policy says an excess will apply to:

"each and every separately identifiable cause of loss or damage for which a payment is made under the Policy by the Insurer, regardless of whether more than one cause of loss is notified at the same time".

I'm satisfied based on the reports I've seen that Lloyd's has made a reasonable conclusion there were two causes of loss. One cause of water ingress related to the ill-fitting doors. But it was found the windows were allowing water to ingress due to a lack of waterproof membrane under the ship lap boarding. I think it's reasonable Lloyd's has said these causes of damage are "separately identifiable". The reports suggest that properly fitting doors wouldn't have allowed water to ingress, even with the lack of waterproof membrane under the boarding at the top section of the property. So, it follows that I think Lloyd's was reasonable in applying two policy excesses.

That being said, I agree with our Investigator that Lloyd's should pay interest on the amounts it has already refunded relating to the excess. This should be done from the date they were paid (10 August 2023) until the date the refunds were issued.

Compensation for issues relating to the claim

I understand that having damage to your home is a cause of worry and frustration; it isn't unreasonable for a purchaser of a new-build home to expect it to be built free from major issues. However, this Service cannot award compensation for the distress and inconvenience caused by having to make a claim under the warranty. And having to make a claim will always cause some inconvenience. This Service can make awards where mistakes by a business cause unnecessary distress and inconvenience over and above what would usually be expected. Lloyd's did make two mistakes in charging the wrong

excess amounts, this will have undoubtedly caused frustration that I consider could reasonably have been avoided.

Lloyd's also accepted there were issues with the appointed contractors. It seems accepted that a replacement door fitted in November 2023 was later deemed to be defective.

By the time the FRL was issued in May 2024, the claim had been ongoing for over a year. Some of that time couldn't reasonably have been avoided as it does take some time to gather reports, agree the best course of action and appoint contractors. And it seems the discovery of the lack of waterproof membrane wasn't something Lloyd's initially anticipated, which delayed the repair works starting.

However, I note it took from February 2023 until October 2023 for any substantive works to start. And notwithstanding what I've said above, from what I've seen, I think Lloyds should have acted more proactively to ensure matters moved along in a more timely manner.

Lloyd's has now agreed to pay a total of £700 compensation for the upset caused to Mrs W by the issues faced (Mrs W has confirmed Lloyd's has already paid its initial £550 offer). I also note Lloyds, within its final response letter agreed to appoint a new loss adjuster. In the circumstances here, I think that was pragmatic and, therefore, fair of it.

I'm satisfied that the compensation award is in line with similar awards this Service has made in comparable complaints. This Service makes awards of up to £750 where the impact of a business' mistakes has caused substantial distress, upset and worry, which can cause serious disruption to daily life over a sustained period. I'm satisfied an award nearly at the top of this band (of £700) is therefore reasonable given the issues Mrs W faced and the upset they caused up to May 2024. I realise the claim isn't finalised and Mrs W may encounter further issues, but this Service reviews complaints, with our focus being on what happened, not what will happen. And we don't handle claims. So, as the claim progresses, if any further issues are faced they would first need to be raised to Lloyd's before this Service could look into those. And I can't award compensation for issues that haven't (and might not) happen in future.

My final decision

- Pay 8% simple interest per annum on the refunded amounts of £696 and £1,000 from the date those amounts were paid by Mrs W (10 August 2023) until the date of Lloyd's reimbursement of those sums.
- Pay a further £150 compensation, in addition to the £550 already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 11 February 2025.

Michelle Henderson
Ombudsman