

## **The complaint**

Ms P and Mr R are unhappy with Liverpool Victoria Insurance Company Limited's handling of a claim they made for suspected subsidence damage at their property.

## **What happened**

In January 2024, Ms P and Mr R were evacuated from their home by the local authority due to concerns with its structural integrity. They made a claim for suspected subsidence with LV – their home insurer – and were placed into temporary alternative accommodation.

Ms P and Mr R have complained about the length of time it has taken LV to investigate and progress their claim. They're also unhappy with the way LV managed their alternative accommodation, particularly in the early stages of the claim. Despite several requests for a longer-term property, their hotel room was often only renewed at extremely short notice and meant they had to move rooms several times, and that Mr R had to turn down work as a result.

At the point of bringing their complaint, no decision on the claim had been reached. So, an investigator here considered LV's handling of the claim between January 2024 and 1 September 2024, and said any concerns Ms P and Mr R had about the handling of the claim after that date, or the claim decision which was ultimately reached, would need to be raised as a separate complaint.

In answering this complaint, the investigator thought it should be upheld. He said, this was a complex claim due to the involvement of the local authority and many other insurers covering other properties within the tenement. But he thought LV could have been more proactive in completing its own claim investigations. He also thought the renewals of Ms P and Mr R's temporary accommodation could have been managed better. As a result of these issues, he said Ms P and Mr R had suffered avoidable distress and inconvenience. So, he said LV should progress the claim as quickly as possible moving forward, preventing further avoidable delays, and that it should pay them £800 compensation to put this right.

LV accepted the investigator's recommendation, but Ms P and Mr R didn't. They said £800 didn't go far enough to recognise the distress and inconvenience they had suffered as a result of the handling of the claim – especially given Mr R had lost out on work.

Because no agreement has been able to be reached, the complaint has been passed to me to decide.

## **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, while I appreciate it will likely come as a disappointment to Ms P and Mr R, I agree with the conclusions reached by our investigator. I'll explain why.

Firstly, I should explain that like the investigator, I'm only considering Ms P and Mr R's complaint about poor claim handling and delays between January 2024 and 1 September 2024. I'm not considering anything that happened after that date, including any claim decision LV may now have made, or any impact the claim has had on any subsequent policy renewals. I understand Ms P and Mr R have raised a separate complaint covering these issues.

Secondly, I note that it's not in dispute that LV have caused some delays and avoidable distress and inconvenience. I say this because LV has accepted as much when agreeing to pay the £800 compensation recommended by the investigator. What remains in dispute is whether that amount is sufficient to fairly compensate Ms P and Mr R for the impact of LV's errors, or whether it needs to do more – including whether it should reimburse Mr R for some lost earnings.

For completeness, and like the investigator, I'll address the general claim handling and management of the alternative accommodation issues separately.

### Claim handling

Ms P and Mr R were instructed to evacuate their property by the local authority due to suspected structural integrity issues. Significant cracking damage was noted to their building, particularly around their bay window. Subsidence was suggested as a possible cause of the damage, and so they made a claim to LV, as damage caused by subsidence is covered under their policy.

When dealing with a claim for suspected subsidence, I'd expect to see LV appoint suitably qualified experts to undertake thorough investigations into the damage and any potential cause or causes. These investigations would involve experts visiting the property and would usually include, but not be limited to:

- Trial pits to look into the depth of the foundations,
- boreholes and soil analysis to determine the nature of the ground beneath and around the foundations,
- drainage inspections,
- crack monitoring.

In this case, the initial safety concerns and the involvement of the local authority meant it was difficult for LV (or any appointed experts) to visit the property. So, some of the time it took for LV to commence its own investigations was likely unavoidable. But I've also seen that LV initially intended to obtain expert evidence from other parties involved in the claim, instead of completing its own investigations or report into the damage, because it was aware that some reports existed which might have suggested there was no subsidence. I don't think this was a reasonable way of seeking to investigate and progress the claim in these circumstances.

While I don't doubt that any reports or investigations completed by the local authority, or other impacted insurers, could be relevant to consider, I'd still expect LV to carry out its own investigations into the claim. Particularly as different policies provide different levels of cover, and include different terms, conditions and exclusions, which could influence the decision which was ultimately reached by each of the different insurers.

LV did eventually instruct its own investigations into the issues with the property, which I think is reasonable. And, as explained, there were some unavoidable delays due to access issues in light of the severity of the suspected issues. But given what I've said above, I also think LV caused some avoidable delays. I've taken this into account when considering what a fair amount of compensation should be.

### Alternative accommodation

While considering and investigating Ms P and Mr R's claim, LV agreed to provide alternative accommodation on a without prejudice basis – because it hadn't yet been established if the issues with the property had been caused by an insured event.

LV instructed one of its agents to manage this on its behalf, and Ms P and Mr R were initially put up in a hotel on a short-term basis. Ms P and Mr R are unhappy with how these early stages of their alternative accommodation was managed and renewed. They say it was only authorised for very short periods of time, and only renewed at the very last minute, which meant they were left in limbo not knowing if they'd be homeless, or if they'd need to move rooms or properties at incredibly short notice – which did happen within the first few weeks.

Because of the short-term nature of the hotel bookings, and the way they were being managed, Mr R turned down paid employment as he didn't want to risk being away, and leaving Ms P needing to miss work to move rooms at short notice on her own. Ms P and Mr R have provided evidence of these lost earnings and would like LV to reimburse these losses.

I've thought carefully about the circumstances of the claim, and everything Ms P and Mr R have said and provided. I fully appreciate this was a stressful time, and so can understand why they would have wanted longer term authorisation of their accommodation to avoid the worry of being left without somewhere to live, or the inconvenience of having to move at short notice. But I also must acknowledge that the alternative accommodation LV was providing was on a goodwill, without prejudice, basis – because at the time, the only expert evidence available suggested there was likely no insured peril in operation.

I'd only typically expect an insurer to provide cover for alternative accommodation where it had been shown, or at least appeared most likely, that the cause of the policyholder's property being uninhabitable was something covered under the policy terms. So, I think LV acted fairly in agreeing to provide alternative accommodation while further investigations were completed. And in these particular circumstances, while understandably inconvenient for Ms P and Mr R, I don't think it was unreasonable for LV to only authorise this for short periods at a time and renew it at short notice, to mitigate the risk of paying out large sums of money on accommodation costs when the claim appeared unlikely to be covered.

As explained above, I don't think it was reasonable for LV to seek to reach a claim decision solely on the basis of reports conducted by other parties. But given those reports suggested it was unlikely the damage was caused by an insured event, I do think it was reasonable for it to provide AA on a short-term, without prejudice basis, while it completed further investigations to establish whether the claim should be covered. So, although I fully accept and sympathise that this caused Ms P and Mr R worry and inconvenience – I don't think the approach LV took was inherently unfair or unreasonable.

LV has pointed out that it has spent over £17,000 on alternative accommodation for Ms P and Mr R despite all the available evidence suggesting the claim was unlikely to be covered. And it argues that had it not provided accommodation, Mr R would have been in the same position with respect to turning down work. So, it doesn't agree that it should be required to reimburse him for his decision to turn down the job he has evidenced he did.

Taking everything into account, while I fully appreciate my decision will disappoint Ms P and Mr R, I don't think it would be fair to direct LV to reimburse Mr R's lost earnings in these circumstances. I say this because while I agree that more proactive renewals of the accommodation, or a longer-term property, would have likely meant Mr R would not have turned down the work, I think it was reasonable that LV managed the accommodation in the way it did, in light of the evidence available at that time. So, I don't think Mr R's decision to turn down the work stemmed from something that LV did wrong.

In response to the investigator's assessment of the complaint, LV agreed to pay Ms P and Mr R £800 compensation for the distress and inconvenience they suffered between January 2024 and 1 September 2024. Taking into account the errors I think LV made, and the impact those errors alone had on Ms P and Mr R, I think that amount is sufficient to put things right.

### **My final decision**

For the reasons set out above, I uphold Ms P and Mr R's complaint in part.

Liverpool Victoria Insurance Company Limited must pay Ms P and Mr R £800 compensation for the distress and inconvenience they have suffered – if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P and Mr R to accept or reject my decision before 14 April 2025.

Adam Golding  
**Ombudsman**