

The complaint

Mr L complains about the way Lloyds Bank General Insurance Limited handled a claim he made under his home insurance policy.

Reference to Lloyds includes those agents acting on its behalf.

What happened

Mr L had home insurance with Lloyds. In November 2022 there was an escape of water in the bathroom of his property that caused damage to several other rooms. Lloyds accepted Mr L's claim and appointed agents to dry the property before repairing it. Lloyds provided a scope of works detailing what work needed to be done. Mr L decided to take the opportunity to upgrade parts of his home and so asked Lloyds to provide a cash settlement, which he could use to pay for his own contractors. Lloyds offered an amount of about £4,000 plus VAT (less any applicable excess). Mr L provided two quotes he'd obtained for repairs based on the scope of works, one of which was for about £15,500 and the other for about £16,500 plus VAT. He didn't think Lloyds's offer was fair and so he complained.

Lloyds said the cash settlement it offered was based on the level of its liability as that is what it would cost its contractors to complete the repairs. It quoted extracts from Mr L's policy and said it was satisfied its offer was fair and in line with those terms. As Mr L remained dissatisfied he approached this service.

Our investigator didn't think Lloyds had done enough to show its offer was fair. She thought Lloyds should obtain two further quotes and offer Mr L a more reasonable cash settlement. Lloyds didn't agree and so the complaint was passed to me to make a final decision.

Lloyds said the two quotes provided by Mr L included some additional work that wasn't included in its scope of works. It was satisfied its scope of works outlined all the work required and said it has preferential rates agreed with its contractors, which was why there was a difference between the cash settlement it offered and the quotes Mr L obtained. It was confident it could carry out the repairs for the amount offered and said its contractor was still able to carry out the work if Mr L chose to do that.

I reached a different conclusion to our investigator, so I sent a provisional decision to Mr L and Lloyds to give them an opportunity to comment. Lloyds said it agreed with my decision and had nothing further to add. Mr L didn't respond. So, my findings and my decision below are substantially the same as set out in my 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.

The terms and conditions of Mr L's policy with Lloyds says the following:

'We use other companies (who we call suppliers) to repair or replace your things, and

to repair or rebuild your home. Any repair or rebuild work done by our suppliers is guaranteed for at least 12 months.

Where we use suppliers, we might get discounts. We will use their cost to us when settling claims. What we mean is, we won't pay more than it would cost us to repair, replace an item or rebuild any part of your home'.

Lloyds's responsibility here is to indemnify Mr L for the losses he's incurred. That means putting him back in the position he was in just before the loss or damage happened. Lloyds's agents surveyed the property and drew up a scope of works. There doesn't seem to be any dispute about that scope of works and what repairs are necessary to return Mr L's property to its pre-loss condition.

It's not unusual for insurers to have arrangements with suppliers and contractors that mean they can get work done for less than the market price a consumer might pay. So, the cost to the insurer will often be different to the cost to the consumer.

In this case, if Lloyds had only offered a cash settlement to Mr L, I'd have expected the offer to reflect the amount it would cost Mr L to have his property repaired at market price. But that's not the situation here, as Lloyds arranged for the property to be repaired by one of its contractors first. And it was Mr L who chose not to go down that route and appoint his own contractors instead. He's explained that he did that because he wanted to make some upgrades to his property at the same time and Lloyds's contractors would only repair the property to its pre-loss condition. I can understand why he did that. But, in these circumstances, I think it's fair for Lloyds to only pay Mr L the amount it would cost for its contractors to repair the damage. That is what Mr L's policy says and while this might mean the cash settlement isn't enough for him to cover the cost of his own contractors, I don't think that's unreasonable.

That said, I would expect the cash settlement offered by Lloyds to be fair. That is, I would want to be satisfied that it could genuinely complete the scope of works for the £4,000 or so it offered Mr L by way of a cash settlement. And, from the evidence I've seen, I'm satisfied it could. The scope of works shows a full list of the required work with an itemised break down of what's needed in each room. Lloyds has also shown me its cost for each room based on the size of the room and the work that needs doing. It points out that it has agreed preferential rates with all of its contractors but as this is commercially sensitive information between Lloyds and those contractors, it can't share those with Mr L. And neither can I. But I'd like to reassure him that I have seen the costs Lloyds has applied to each room and I'm satisfied it could complete the scope of works for the amount its claimed.

I recognise there's a significant difference between the quotes obtained by Mr L and the cash settlement offered by Lloyds. It's pointed out that not all the work in Mr L's quotes was included in the scope of works. For example, it said it had already paid its contractors for the removal and storage of contents, so this should not have been included in the quotes and would have brought the overall price down. Lloyds also noted that Mr L's quotes didn't provide dimensions or a breakdown of costs for each room; information that was provided in its scope of works.

Lloyds also said the required work is straightforward and basic in nature, with most of the work being standard decoration. I'm not sure this helps to explain the big difference between Mr L's quotes and the costs Lloyds has said it will pay, but I think it does help to explain why its costs seem to be lower than might be expected.

Lloyds has said it's still prepared to repair Mr L's property, so he has that option open to him. I recognise he's lost some trust in Lloyds carrying out those repairs. But that seems to be

solely based on the fact he doesn't believe Lloyds can get the work done to a reasonable standard at the cost its quoted. I should point out though that Lloyds has a responsibility under the terms of Mr L's policy to provide a 12-month guarantee for any repair work it undertakes. It's also said that any unforeseen damage it might uncover once it's started the work would be covered under the terms of his policy. And hopefully the information Lloyds has provided about why its costs are lower than the market price will reassure Mr L that this doesn't mean the standard of the repairs it completes should be any less.

In summary, I don't think Lloyds has acted unreasonably in offering Mr L a cash settlement of about £4,000 plus VAT. It's provided evidence of how it arrived at that sum and I'm persuaded the amount its offered is fair in light of the work that needs to be done. It's also fair for Lloyds to deduct the policy excess from that amount if that's not already been paid.

My final decision

For the reasons set out above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 7 January 2025.

Richard Walker
Ombudsman