

The complaint

Mr B and Mrs W complain about how esure Insurance Limited trading as Sheilas' Wheels (esure) handled a claim under their home insurance policy for damage to their property from an escape of water.

References to esure include their agents who administer the policy and assess claims.

This decision covers Mr B and Mrs W's complaint to this Service about esure as the insurer of their policy at the time of the escape of water. It doesn't cover the actions of the insurer (I) of their policy before esure, a separate business. Mention of that insurer is only included as background and context for what happened in this case.

What happened

Mr B and Mrs W had a home insurance policy with esure, taken out in April 2023. This was a change in insurer, their previous policy with a separate insurer (I) ran to April 2023.

In November 2023 there was a leak from a shower valve in the bathroom at Mr B and Mrs W's property, leading to the collapse of the bath through the floor.. They engaged a plumber to fix the leak (at a cost of £800). They contacted esure to tell them about the incident. esure appointed a surveyor (D) to inspect the damage.

D visited the property the following month and observed the floorboards beneath the bath had rotted and collapsed. D concluded the leak had been ongoing for some time and given the extent of the damage, might partly have occurred whilst Mr B and Mrs W were insured under their previous policy. esure asked Mr B and Mrs W to provide further information, including photographs of the damage prior to strip out (Mr B and Mrs W had already engaged contractors to strip out the damaged bathroom). esure initially declined the claim because they thought the damage was pre-inception of the policy with them (although this was in part because they wrongly thought the inception date was the same date as Mr B and Mrs W notifying them of the incident). esure subsequently changed their decision to accept the claim, under the escape of water section of the policy. Mr B and Mrs W provided estimates for the repair work (December 2023).

esure subsequently made a cash settlement offer for the damage (initially £3,179.93 less the policy excess of £550, in January 2024). Mr B and Mrs W were unhappy at the offer, being significantly less than the quotes for repair work they'd received from contractors. They were also unhappy esure wouldn't cover the full cost of replacing the bathroom tiling (they would only offer 50% of the cost, as the policy didn't have matching items cover for replacement of undamaged items). Following further review of the claim and scope of works, esure increased their cash settlement offer to £6,532.76 and then £6,996.68 (less the policy excess, March 2024). Mr B and Mrs W reluctantly agreed the settlement, even though they thought it too low compared to the quotes from their contractors.

Mr B and Mrs W were unhappy at the lack of progress with their claim, given the time from their reporting the incident to esure first offering a settlement. So, they complained to esure.

In their final response, issued in April 2024, esure upheld the complaint. They apologised for delays in progressing the claim and Mr B and Mrs W weren't kept up to date as esure would have liked. D should have handled the claim better. As an apology, esure awarded £200 compensation.

Mr B and Mrs W then complained to this Service. They said the claim had been delayed due to a lack of communication from esure and had been wrongly declined because esure said the damage occurred before the policy with them started. The previous insurer had to be involved. They were also unhappy at the settlement offer from esure, as they'd incurred costs of over £5,000 and still without a bathroom, and this had a significant impact on them, given their respective health issues and vulnerability. They said esure had failed to comply with the requirements of the Consumer Duty. They wanted esure to settle their claim.

When providing their business file as part of our investigation of Mr B and Mrs W's complaint, esure clarified they had issued a net settlement of £6,446.68 in respect of their claim in April 2024. Due to the issues Mr B and Mrs W experienced with delays and the handling of their claim, esure had awarded £200 compensation. Seeking to resolve matters, esure offered a further £100 compensation, making a total of £300. Mr B and Mrs W rejected the offer, as they remained unhappy with the settlement issued in respect of their claim, saying they felt pressured into accepting it and it left them significantly out of pocket. So, we investigated the complaint.

Our investigator upheld the complaint, concluding esure hadn't acted fairly. On the settlement of the claim, esure had acted within the policy terms and it was reasonable for them to have opted to settle the claim through a cash settlement (as work to repair the damage had already begun when Mr B and Mrs W contacted esure to tell them about the damage. The policy terms provided for any cash settlement to be based on what it would have cost esure for one of their contractors to have carried out the work. The schedule of work provided by esure appeared to cover the work required to repair the damage. And it was fair for them to make a 50% contribution towards the cost of replacing undamaged tiles.

On the handling of the claim by esure, the investigator thought they could have done more to settle the claim sooner. There were initial delays because of uncertainty over the start date of the policy and further delays when esure's contractor didn't take the appropriate action. The delays had a significant impact on Mr B and Mrs W, particularly given their health issues and vulnerabilities. The investigator thought esure should pay a further £400 compensation for distress and inconvenience, making a total of £600.

Mr B and Mrs W disagreed with the investigator's conclusions and asked that an ombudsman review the complaint. They said they'd told esure about their circumstances, including their health issues and vulnerabilities when they first told esure about the incident. And at no point had esure said they could carry out the repair work. They also maintained that esure's cash settlement wasn't sufficient for them to have the repair work carried out (their quotes were up to £14,000). While I had paid them £2,000 this still left them significantly out of pocket (they had obtained legal advice the cost should be split 50:50 between the two insurers).

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.

My role here is to decide whether esure have acted fairly towards Mr B and Mrs W.

There are several aspects to Mr B and Mrs W's complaint. The first is the time taken for the claim to be assessed and accepted and a cash settlement offered. Mr B and Mrs W say this

was too long, with the claim initially being declined and then accepted. esure accept there were delays and awarded £200 compensation (subsequently increased to £300 when supplying their business file to this Service).

The second issue is the cash settlement offered by esure, which Mr B and Mrs W feel is inadequate, given the quotes from their contractors and the costs they've incurred. esure say they offered a cash settlement based on a scope of works, as their contractor rates (as the policy provides for). There's a linked, specific issue about esure's contribution towards the cost of full re-tiling of the bathroom, including undamaged tiles. esure have offered a 50% contribution, as the policy doesn't include cover for matching items.

I've first considered the issue of esure making a cash settlement. The policy terms provide for this as an option, and that where this is used, it will be at the cost to esure had they used their own contractors. The relevant policy terms state:

"If your buildings suffer loss or damage as a result of any of the other circumstances in your policy booklet, we can choose to:

- Pay the cost of work carried out to rebuild, replace or repair your buildings; or*
- Arrange for your buildings to be rebuilt, replaced or repaired; or*
- Pay for the difference between the market value of the buildings immediately before the loss or damage happened and the market value immediately after the loss or damage happened. If repair or replacement cannot be economically carried out, any payment we make will not exceed the rebuilding cost.*

...Where it is possible to rebuild, replace or repair your buildings but you do not agree with these settlement options, we will pay you cash based on the rebuild, replacement or repair cost to us."

While it isn't my role to assess a claim, I've looked at the scope of work prepared by D for the reinstatement work required. It includes the bathroom, hall, kitchen as well as a 50% contribution towards bathroom tiles. It's costed at what would be the rates esure could obtain from their appointed contractors, which is in line with the policy terms set out above. It doesn't include VAT, but if Mr B and Mrs W were to engage their own contractors that charged VAT, esure would increase the settlement figure to reflect the VAT element.

I've also concluded it was fair for esure to make a cash settlement given that work on the reinstatement (at least some stripping out) had already commenced prior to D's visit. While understandable on the part of Mr B and Mrs W, this would have compromised esure's ability to offer their own appointed contractor to carry out the work, as they wouldn't have been able to take over the work as it had started (and to guarantee it). So, I've concluded it was fair to offer a cash settlement.

And as I concluded earlier, where a cash settlement is offered, it is at the rates esure would have paid to have their own contractors carry out the work. These rates are likely to be lower than those Mr B and Mrs W could obtain from their own contractors, as the volume of work insurers put through their appointed contractors means they are typically able to secure discounted or preferential rates.

So, I've concluded esure complied with the policy terms and conditions is making a cash settlement based on a scope of works costed at the rates applicable for an approved supplier.

On the specific issue of the 50% contribution towards tiling, from what I've seen this is in respect of the undamaged tiles. But the policy doesn't include cover for 'matching sets', that is, where a policy will cover undamaged items in a matching set (not just the damaged items). Given the nature of the tiles (plain white) then I think esure's offer of a 50% contribution is fair and reasonable).

While this decision doesn't cover the actions of I as Mr B and Mrs W's previous insurer, my understanding from what I've seen is that I paid £2,000 towards the cost of repairs. I've not seen the basis for that offer, so if Mr B and Mrs W think it wasn't fair and reasonable (or that I should have paid half the total cost they've incurred, which would be significantly more than £2,000), then it would be for them to raise a complaint to I and for I to respond to any such complaint. In that contingency, it would then be for Mr B and Mrs W to raise a separate complaint to this Service if they weren't happy with I's response.

Coming back to the issues, I've considered esure's handling of the claim and looked at the sequence of events, from the time of the escape of water in November 2023 through to esure's final response in April 2024 (also the date esure paid their cash settlement). While the initial response was timely, in terms of D's inspection of the property, the claim was initially declined because D wrongly thought the damage was pre-inception of the policy (D thought the two were one and the same). It took a month for the error to be identified and for esure to reverse the decision, accepting the claim. The delay exacerbated the difficulties experienced by Mr B and Mrs W, given the damage and impact on the bathing facilities at the property. And a further month to receive and review a report from the plumber engaged by Mr B and Mrs W to fix the leak before esure instructed D to proceed to settlement of the claim. There was also further delay while D considered the claim and offered a final settlement, which wasn't paid until April 2024.

Mr B and Mrs W say they felt pressured into accepting the settlement, but as I've concluded esure acted fairly and reasonably in line with the policy terms and conditions in offering a cash settlement, then I can't conclude they acted unfairly towards Mr B and Mrs W.

Having reached these conclusions, I've then considered what I think esure should do to put things right, in particular for the undoubted distress and inconvenience suffered by Mr B and Mrs W. In doing so, I've taken account of the health conditions and vulnerabilities they've told us about. These were also known to esure from the start of the claim, when first notified of the incident. I've also taken account of the fact that an escape of water and the damage caused would always have been stressful and caused a degree of distress and inconvenience, particularly given the extent and nature of the damage to Mr B and Mrs W's property in this case.

In bringing their complaint to this Service, Mr B and Mrs W said they thought esure failed to comply with the requirements of the Consumer Duty. I can assure them I've thought about esure's obligations under Consumer Duty and all other relevant rules when deciding what's fair in this case.

esure will be aware that the Consumer Duty requires them to avoid causing foreseeable harm to retail consumers. In this case, given what esure were aware of about Mr B and Mrs W's health issues and vulnerabilities from the outset, they should have known the difficulties the incident would have caused Mr B and Mrs W. And that avoidable delays in progressing and settling the claim would have impacted them significantly.

Taking all these factors into account, in the context of the published guidance from this Service about awards for distress and inconvenience, then I don't think esure's [revised] offer of £300 compensation is sufficient. It's clear Mr B and Mrs W suffered considerable distress, upset and worry during the period through to esure's final response, with significant

inconvenience and disruption over a period of months. In the circumstances of this case, I think £600 compensation for distress and inconvenience is fair and reasonable.

My final decision

For the reasons set out above, it's my final decision to uphold Mr B and Mrs W's complaint in part. I require esure Insurance Limited trading as Sheilas' Wheels to:

- Pay Mr B and Mrs W £600 compensation for distress and inconvenience (taking account of any award they may already have paid).

esure Insurance Limited trading as Sheilas' Wheels must pay the compensation within 28 days of the date we tell them Mr B and Mrs W accept my final decision. If they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs W to accept or reject my decision before 19 March 2025.

Paul King
Ombudsman