

## **The complaint**

Mr P is unhappy that Haven Insurance Company Limited refused to fully settle a claim he made, following an escape of water.

## **What happened**

Mr P held a home insurance policy with Haven which was inceptioned in February 2022. In January 2024, Mr P's property suffered damage as a result of an escape of water, so he made a claim to Haven.

Haven appointed various experts to investigate the damage and validate the claim on its behalf. But concerns arose over the level of cover Mr P had. When he took out the policy, Mr P said the cost to rebuild his home was £305k. But Haven estimated this ought to have been closer to £686k.

Based on the above, Haven concluded Mr P was underinsured. Had Mr P declared the higher rebuild cost when taking out the policy, Haven said the sum insured declared was only 45% of what it ought to have been. Based on this, and the 'average clause' within the policy, Haven said it would only settle 45% of the claim.

Mr P took out the policy through an aggregator site (price comparison website). He says the rebuild cost estimate provided when the policy was taken out was prepopulated by the website, based on his property details. He says he was entitled to rely on the information as it was being provided by a reputable company.

Mr P has also complained that the settlement offered by Haven doesn't include all the damage to his home and that the service he's received from Haven throughout the claim has been poor.

Mr P's complaint was looked at by an investigator at the Financial Ombudsman Service. She thought it should be upheld. She said she was persuaded by Mr P's testimony that he relied on the figure provided to him by the price comparison website and so she didn't agree the estimate he provided was unreasonable. She said Haven should deal with the claim without making a deduction for underinsurance.

The investigator highlighted that many of the areas of repairs included within Mr P's repair estimates didn't appear to have been caused by the escape of water, and so she thought it was fair for Haven to exclude them. But she said Haven needed to provide Mr P with a detailed breakdown of the works it was covering, and that it should consider reimbursing any additional utility costs Mr P would incur as a result of the repairs, subject to Mr P evidencing these costs. She also said Haven should cover the cost of a gas and electrical safety certificate if one was required.

The investigator agreed the level of service Mr P had received had fallen short, causing avoidable frustration. She acknowledged Haven had already offered Mr P £250 compensation for service failings but said this should be increased to a total of £500.

Haven accepted the investigator's opinion, but Mr P didn't. So, as no agreement has been 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, I agree with the outcome reached by the investigator. I'll explain why, addressing the various issues separately.

#### Underinsurance

I should first acknowledge that Mr P's policy was sold by a broker rather than by Haven directly. However, in her assessment the investigator set out that in selling the policy, the broker appeared to be acting as an agent of Haven, and so she would consider all of the issues against Haven. This position wasn't disputed by Haven. So, like the investigator, I've considered the complaint solely against Haven.

I also think it would be helpful to set out here that there is no absolute correct figure for the rebuild cost of Mr P's property at the time he took out the policy. I say this because multiple experts could be asked to value a property and come up with different figures. Instead, when taking out the policy, Mr P was required to provide a reasonable estimate. If Mr P provided a reasonable estimate when taking out the policy, it wouldn't be fair for Haven to proportionally reduce his claim settlement. Regardless of whether, in Haven's view, the estimate was too low.

Mr P took out the policy through a price comparison website. He says the website estimated the rebuild cost of his home for him.

Haven accepts that the price comparison website does provide a rebuild cost estimate based on the property details. But the rebuild estimate Haven obtained directly from the Building Cost Information Service (BCIS) rebuild estimation tool, which backdated the estimate to January 2022, came in significantly higher than the figure Mr P provided – £686k. Based on this, Haven said the sum insured declared was only 45% of what it ought to have been and so it would only settle 45% of Mr P's claim

Before I cover off why I don't think Haven can fairly or reasonably reduce Mr P's claim settlement in the particular circumstances of this complaint, I want to explain that even if I were persuaded that the rebuild estimate he provided was unreasonable, I don't think the proportionate reduction Haven sought to make would be fair. I say this because Haven has sought to base the reduction on the 'average clause' in its policy. This states:

*"If You are under-insured, meaning the cost of repairing or re-instating the Buildings at the time of loss or damage is more than the sum insured shown on the Schedule, We will only pay a proportion of the claim. For example, if Your property is actually worth £200,000 but you only insured it for £100,000 then the claim will be settled at 50% for £50,000."*

While I accept this approach is written into Haven's policy, I don't consider its application would deliver a fair or reasonable outcome in this case. Instead, in line with the well-established approach of the Financial Ombudsman Service, I think a fairer approach to calculating a proportionate claim settlement in this case would reflect the difference between the premiums Haven received based on the underinsurance and the premium it would have charged had it been provided with a more reasonable estimate of the rebuild cost.

That said, I'd only consider it fair for Haven to apply any proportionate reduction at all, if I were persuaded that Mr P's estimate of the rebuild cost was unreasonable. And based on everything I've seen, I don't think it was.

I say this because, while Mr P hasn't been able to retrospectively evidence the figure he obtained from the price comparison site in February 2022, he has been able to evidence that in November 2022, the same website's tool was estimating the rebuild cost of his home as £353k. So, taking that evidence into account, on the balance of probabilities, I'm persuaded that Mr P most likely received the rebuild estimate of £305k from the website as he says.

I appreciate there is a larger discrepancy between the figure Mr P provided and Haven's later estimate. But I'm not satisfied this demonstrates Mr P's estimate was unreasonable. Instead, based on the available evidence, I think it's more likely than not that Mr P relied upon the estimate provided by the price comparison website when taking out the policy. And given this was a reputable price comparison site, whose estimates are provided with assistance from the Royal Institute of Chartered Surveyors (RICS), I think it was reasonable for Mr P to rely on the figure it suggested for him. I think he was entitled to see that figure as more likely to be reasonable than any estimate of his own.

So, taking everything into account, on balance, I think Mr P provided a reasonable estimate of the rebuild cost when taking out the policy. And because he did, I don't think Haven can fairly or reasonably reduce the claim settlement based on the fact he was underinsured. This means Haven will need to settle Mr P's claim in full, with no proportionate reduction for underinsurance.

To any part of the settlement which currently remains unpaid, Haven will also need to add 8% simple interest, from the point it made the, in my view, unfair decision to settle the claim proportionately, until the date of settlement. This is to compensate Mr P for being deprived of funds I think he was reasonably entitled to under his policy.

### Scope of repair works

Due to concerns with the proposed cost of repairs put forward by Mr P and his loss assessor (over £150k), Haven instructed further investigations into the damage caused by the escape of water and the remedial works required.

Haven's loss adjuster set out that the proposed costs to repair the damage in the bathroom where the leak occurred were broadly reasonable, save for the cost to replace the shower tray and screen, instead of reusing them, and the plumbing and electrical costs which they considered high.

The loss adjuster's main concern was around the works required to the ground floor of Mr P's property, including the inclusion of a full kitchen replacement. The loss adjuster said:

*"As concerns the ground floor work, the scope is considered to be excessive. It is accepted that the kitchen ceiling is stained and requires redecoration, but not that the kitchen units and worktop have suffered damage from the escape of water. The black facing strips on the front of the units are considered to have been chipped and cracked through constant use, the base plinths are misaligned due to general usage and the mould growth on the worktop around the tap is believed to be due to day-to-day use. There was no evidence of damage to the floor or wall tiling."*

As an impartial alternative dispute resolution service, we consider the evidence provided by both parties before giving our conclusion on the complaint. So, in making a decision on issues like this, as the ombudsman, I need to give appropriate weight to the opinions of the various experts. But where the expert opinion is incomplete or contradictory, I'll reach my decision on the balance of probabilities, on the basis of the evidence available to me at this time.

Based on the comments, reports and photos I've seen, I'm not persuaded that Mr P's kitchen would need to be replaced in its entirety, nor that the cracking to the units or water staining around the tap were most likely caused by the escape of water. Instead, taking account of the photos I've seen, I find Haven's loss adjuster's report and conclusions to be more persuasive than the evidence provided by Mr P. The damage around the tap appears most likely to be normal wear and tear due to frequent contact with water resulting from the use of the tap, and the debonding of the laminated coverings in various areas appears more likely to have resulted from wear and tear over time, than damage caused by the escape of water – which appears to have resulted in minor staining to the ceiling.

The schedule of works provided by Mr P also included works to various other areas of the house which don't appear to have suffered from any water damage, such as the hallway, stairs, landing, conservatory and dining room.

Given there is no apparent water damage to any of these areas, I think it was reasonable for Haven to exclude them from its offer of settlement. That said, I note the hallway areas were included due to the likelihood of heavy foot traffic during repairs, and that Haven's offer includes an amount to cover protective sheeting in these areas. I think that's reasonable.

The loss adjuster also highlighted various other parts of the schedule they felt were overstated or unnecessary. For example, the inclusion of costs for Heras fencing, despite the property being within a gated, enclosed site, removal and storage of items rather than storing them on site, and repeated separate plumbing and electrical works rather than having such works completed as collectively as possible to reduce site attendance and overall costs.

Mr P's schedule also included general costs for additional utility costs during the works and gas and electrical safety certificates. Haven's loss adjuster hasn't commented on these items. But I don't think Haven needs to include an amount for these upfront as part of the settlement. Rather, if Mr P is able to evidence that he incurred additional energy costs due to the repairs, or that safety certificates were required as part of the repairs, I would expect Haven to consider those costs at that stage, subject to receipt of evidence from Mr P.

Based on everything I've seen, on balance, I'm persuaded that the schedule of works provided was overstated and included works not required solely as a result of the escape of water. However, like the investigator, I've not seen a breakdown of all the works which Haven is intending to cover, and which it isn't. Instead, Haven has simply broken down the amounts it is prepared to pay in settlement of Mr P's claim as the following:

Preparatory Works - £3,100.00  
Kitchen - £2,000.00  
En Suite bathroom - £17,900.00  
General Works - £1,000.00  
Total - £24,000.00

Haven has also added a 5% contingency allowance plus VAT, meaning the overall costs for the works it accepts was £30,240. Haven also agreed to a contribution to Mr P's loss assessors' fees of 10% of the reinstatement costs - £3,024.

The investigator thought Haven ought to produce an itemised schedule of works for all the works it agreed to cover, as well as an overall cost for this work. She was clear that Haven didn't need to provide costs for each item, because the preferential rates it receives from its network of contractors is commercially sensitive information.

I think the above is a fair and reasonable suggestion, as it will allow Mr P to properly understand which works are accepted and which are not. But as things stand currently, in the absence of any additional expert evidence from Mr P to contradict Haven's loss adjuster, I don't agree that the works for the kitchen, hallways and landings, dining room, conservatory, or drying need to be included in the settlement, nor the amounts put forward for preparatory works, plumbing and electrical work or the removal and storage of contents.

Once Mr P receives Haven's items schedule of accepted repairs, he is free to provide any additional evidence he might have to contradict any omissions directly to Haven. And should a new dispute arise, Mr P is free to raise a new complaint with Haven, which he may be able to refer to the Financial Ombudsman Service, subject to our normal rules and timescales.

### Distress and inconvenience

Mr P has already had a separate complaint about this claim considered. Because of that, this complaint is limited to considering events from May 2023 onwards. So it's the period between May 2023 and Haven's final response to Mr P in April 2024 that I'm considering under this complaint.

It's not in dispute the level of service Haven provided fell short. Haven accepts this and has offered £250. I agree that communication could have been clearer at times and that the claim could have progressed more quickly. But additionally, I think Haven is responsible for further avoidable distress and inconvenience as a result of its handling of the alleged underinsurance.

To recognise this, and the impact all Haven's failings have had on Mr P, I think Haven should pay an additional £250 (a total of £500) to compensate him for the avoidable distress and inconvenience it has caused him by unfairly deciding to proportionately settle his claim. For example, the distress he suffered at being told his claim would not be settled in full, and the inconvenience of having to make a complaint and pursue it all the way through the Financial Ombudsman Service, just to get the fair settlement his policy entitles him to.

### **My final decision**

For the reasons explained above, I uphold Mr P's complaint.

Haven Insurance Company Limited must:

- Produce and provide to Mr P an itemised schedule of all accepted works and an overall cost for these works.
- Settle Mr P's claim for the damage caused by the escape of water in full, with no deduction for underinsurance.
- To any part of the settlement which currently remains unpaid, add 8% simple interest\*, from the point it made the unfair decision to settle the claim proportionately, until the date of settlement.

- Consider any additional utility costs Mr P can evidence he incurs as a result of the repair works required solely as a result of the damage caused by the escape of water.
- Cover the cost of gas and electrical safety certificates, subject to evidence these were required as a result of the damage caused by the escape of water.
- Pay Mr P a total of £500 compensation for the avoidable distress and inconvenience it has caused him (less any amount already paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 5 May 2025.

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

Adam Golding  
**Ombudsman**