

The complaint

Mr C and Mrs C have complained about the settlement offered by Royal & Sun Alliance Insurance Limited (RSA) under a home insurance policy.

What happened

Mr C and Mrs C contacted RSA to make a claim when water leaked from their shower and caused damage. RSA accepted the claim, assessed the work involved and offered a cash settlement. Mr C and Mrs C didn't agree with the amount offered because they said the work couldn't be carried out for that amount. They also said it didn't cover all the work required.

When Mr C and Mrs C complained, RSA didn't uphold the complaint. It said the costs Mr C and Mrs C had provided were for over £7,000. So, it appointed a company to assess the work. It initially offered £5,135 and later increased this to £6,419. It said its own costs for doing the work were lower. However, it had negotiated the settlement and increased this.

So, Mr C and Mrs C complained to this Service. Our Investigator didn't uphold the complaint. She said the policy said RSA would only pay a cash settlement at the cost to itself to carry out the work. RSA had offered more than it would have cost it to carry out the work and, although this was less than Mr C and Mrs C's quote, she said it had offered a fair settlement.

Mr C and Mrs C didn't agree. They said they wanted to see how RSA calculated its costs. They said RSA should also have paid for items such as a new shower screen. They also had no choice but to accept a cash settlement because there was such a long wait for RSA's own contractors. So, the complaint was referred to me.

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 don't uphold this complaint. I will explain why.

The policy wording explained how RSA settled claims. This was that it would carry out a repair, offer a replacement or offer a cash settlement. It also said:

"Where we can offer repair or replacement through a preferred supplier but we agree to pay our customer a cash settlement, then payment will normally not exceed the amount we would have paid our preferred supplier."

So, it was for RSA to decide how to settle the claim. It told Mr C and Mrs C it could carry out the repairs. However, Mr C and Mrs C wanted a cash settlement. It's my understanding that, at least in part, this was because they were concerned about how long it would take for RSA to carry out the repairs. I can understand that Mr C and Mrs C wanted their home to be repaired as soon as possible. But I haven't seen evidence it would have taken RSA an unreasonable amount of time to carry out the repairs.

Mr C and Mrs C were asked to provide quotes for the work. When they provided these, they didn't think it was fair for RSA to appoint a loss adjuster to assess the claim. However, it's normal for an insurer to keep a claim and costs under review and I don't think this was unusual.

Mr C and Mrs C have also said the cash settlement amount wasn't fair because it didn't cover all of their costs. I'm aware Mr C and Mrs C have said they should be able to see a breakdown of RSA's costs. However, the information is commercially sensitive and we're unable to provide this to Mr C and Mrs C. But, I've looked at the scope of works and costs to see if I think these were fair.

RSA needed to put Mr C and Mrs C back in the position they were in immediately before the claim. It also only needed to replace items that were damaged by the water leak. I've looked at RSA's scope of works. From what I can see, this covered all the required works and each of the items were costed. I also don't think it's unusual for an insurer to be able to carry out work at a lower cost than a policyholder. Insurers are often able to negotiate rates that are lower than those available to the public. This was the first cash settlement offer that was made to Mr C and Mrs C.

When Mr C and Mrs C didn't accept the offer, RSA agreed to increase its cash settlement offer by applying an uplift to it to try and resolve the claim. I think RSA's revised cash settlement offer was fair to try and settle the claim and address Mr C and Mrs C's concerns. I don't think I can fairly say that it needed to increase this further. It had already gone beyond what was required under the policy terms and conditions by increasing its offer. During the settlement discussions, RSA also told Mr C and Mrs C this didn't include the VAT element, which it would pay if Mr C and Mrs C provided evidence they had to pay this.

Mr C and Mrs C have also said the cash settlement offer didn't include the cost of a new shower screen. When RSA assessed the repairs required, it didn't find any damage to the shower screen. The policy didn't cover undamaged items. It's also normal for an insurer to expect items that weren't damaged to be refitted. Mr C and Mrs C have said their contractors said they couldn't give a guarantee if the original shower screen was refitted. However, I haven't seen evidence that the shower screen couldn't be refitted or that it would have failed had it been fitted. So, I don't think I can fairly say RSA should have paid for a new shower screen.

So, having thought about this claim and complaint, I don't uphold this complaint or require RSA to do anything further in relation to it.

My final decision

For the reasons I have given, it is my final decision that this complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs C to accept or reject my decision before 24 April 2025.

Louise O'Sullivan
Ombudsman