

The complaint

Mrs Z and Mr Z complain about U K Insurance Limited's handling of a subsidence claim made under their property owners insurance policy.

What happened

The background to this complaint is well known to both parties so I'll provide only a brief summary here, focussing on the key issues. Mrs Z and Mr Z and UKI can be assured that I've read and carefully considered all the information and evidence they've provided.

I'll refer below mainly to Mr Z, rather than Mrs Z and Mr Z. Mr Z has been our main contact on this complaint and referring to him alone makes this decision easier to read and briefer.

Mr Z has a property owners insurance policy underwritten by UKI to cover a property he owns and rents out.

He made a claim in early February 2023, having discovered damage to the property which he thought might be caused by subsidence.

UKI sent a loss adjuster to visit the property and accepted the claim. The loss adjuster then arranged for building contractors to attend and put together a schedule of works for the necessary repairs.

When they reviewed the schedule of works, UKI removed a number of items which they said weren't claim-related or weren't covered. They made an offer to cash settle the claim at just over £4,000.

Mr Z asked for a breakdown and explanation of the cash offer, but he says this wasn't forthcoming. He says UKI didn't properly explain their offer or put him in a position to either accept or negotiate the offer.

Mr Z made a complaint to UKI. He said there had been delays and poor service in the handling of the claim. He said he'd lost a tenant as a result, and he wanted UKI to cover loss of rent.

He said UKI had unfairly failed to provide him with a copy of their builder's schedule of works. And he said they had unfairly tried to force him to accept a cash settlement by refusing any interim payment unless he agreed to accepting their offer as a full and final settlement of the claim.

UKI provided a final response to that complaint on 1 August 2023. They said loss of rent wasn't covered under the policy terms. But they admitted some delays and poor service. And they offered one month's loss of rent (£1,900) plus £350 in compensation to Mr Z.

They said the loss adjuster had provided a copy of the builder's schedule of works as soon as they had it (that copy was, as I understand it, uncosted, whereas Mr Z said he wanted to see a fully costed copy).

And they said the most recent cash settlement offer had been fair, given that a number of repair items had been removed as not claim related and/or not covered.

Mr Z wasn't happy with this outcome and brought his complaint to us, in October 2023. At the same time, he brought a second complaint to us that he'd also put to UKI.

This second complaint was about further delays, the fact that Mr Z had to arrange repair of a leak to a radiator discovered after the claim had been assessed, and the fact that the cash settlement didn't include repairs to the floor and flooring, the front elevation of the property and the staircase. UKI provided their final response to that complaint on 13 September 2023.

It's the first complaint alone that I'm considering in this decision. I'll be issuing another decision about the second complaint at around the same time. That will include my view on the fair settlement of the claim overall. The two decisions should be read together.

Our investigator thought the first complaint shouldn't be upheld because UKI's offer of compensation totalling £2,250 was fair.

Mr Z disagreed and asked for a final decision from an ombudsman.

I agreed with our investigator that UKI's compensation offer was fair. But I came to that conclusion for slightly different reasons.

I also thought the complaint should be formally upheld (with no change in outcome) – because I thought UKI hadn't paid the compensation to Mr Z before he brought his complaint to us.

So, I issued a provisional decision. This allowed both Mr Z and UKI a further chance to provide more information or evidence and/or to comment on my thinking before I make my final decision in this case.

My provisional decision

In my provisional decision, I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Looking at the information we have on file, I believe UKI offered £2,250 to Mr Z but either haven't actually paid to date or hadn't paid by the time the complaint was referred to our service. I'd be grateful if either party, or both, could clarify the current position in response to this provisional decision.

If my assumption is correct, then technically, I have to uphold this complaint so that UKI are (or were) obliged now to pay the outstanding compensation. The outcome will be an uphold but with no change in outcome.

Delays and poor service

In this decision, I'm looking at the delays and poor service up to the date of UKI's final response letter dated 1 August 2023. Subsequent delays and/or poor service will be dealt with as part of the second complaint and in my separate decision on that complaint.

Mr Z made the claim in February 2023. He had his own contractors begin the repairs

in April 2023 – two months after making the claim - and they were completed in August 2023.

UKI have admitted some failings in the communication between their loss adjuster and/or themselves and Mr Z. They were reasonably quick to send out a loss adjuster and accept the claim. And the offer to cash settle the claim was made within a reasonable timeframe.

In effect, UKI offered Mr Z £350 in compensation for their failings in customer service and minor delays in responding to Mr Z's queries. I'm minded to agree with our investigator – that's more than fair and reasonable compensation taking all the circumstances into account.

Mr Z experienced some stress and upset as a result of those failings, for a relatively short space of time.

Loss of rent

It seems Mr Z's tenant moved out either because they intended to do so anyway or because they didn't want to live in the property whilst the works were carried out. UKI aren't responsible for that.

Mr Z chose, when he took out his policy, not to take cover for loss of rent. So, loss of rent, as such, isn't something UKI are obliged to pay as part of the claim.

However, they decided to offer compensation to Mr Z at the equivalent of one month's loss of rent (£1,900) because of the delays in the handling of the claim.

This appears to me to be generous. The repairs began two months after the claim was made – UKI are paying Mr Z for loss of rent for one of those two months. The fact that Mr Z's contractors took until August to complete the repairs is entirely outside UKI's control (whether you regard that repair timetable as speedy or slow). As is any further time it might have taken Mr Z to get tenants into the property.

As I say, Mr Z chose not to take out cover for loss of rent when he bought the policy.

The schedule of works (costed)

UKI said Mr Z wasn't entitled to see a costed schedule of works because the information within it was commercially sensitive as it would give away their contractor's rates.

They have subsequently provided that costed schedule, in response to a subject access request from Mr Z. That being the case, it's difficult to see why they didn't provide it earlier, particularly bearing in mind the nature of Mr Z's concerns about how UKI had arrived at their cash settlement offer.

I also note that the schedule has a column setting out the contractor's rates and a separate column setting out the overall cost for that particular repair. It's not unreasonable to suggest UKI could have provided Mr Z with a costed schedule whilst redacting the rates column. That would no doubt have satisfied his requirement to see what work was being covered and at what cost.

The second complaint Mr Z made is, in part, about what UKI were and were not covering as part of his claim and how they'd then arrived at the (latest) cash

settlement offer. So, issues relating to that will be considered in my separate provisional decision about that second complaint.

Technically, what I'm considering here is the delay – up to August 2023 – in UKI delivering that costed schedule to Mr Z. Later delays, and what caused them, will be covered in my other provisional decision.

The delays up to August 2023 are relatively minor – a few months at most. So, I'm minded as things stand to conclude that the overall compensation offer to Mr Z – of £2,250 – is sufficient to cover the delays I'm considering here.

I should stress that – as per my comments above – the delays in UKI providing the costed schedule had little to no effect on the time it took to get the property repaired and in a state that it could be rented out again. They did – overall – have an impact on when Mr Z gets paid for those repairs and I'll deal with that in my decision on the second complaint.

Pressure to cash settle

Mr Z is right to say that UKI's offers to cash settle the claim have at times been put forward in a very particular way - and with caveats.

When Mr Z has requested interim payments – to pay for the repairs his contractors were carrying out – UKI have agreed to pay out what they'd offered but only on condition that Mr Z accept that as a final settlement of his claim.

The net effect has been that Mr Z either had to fund the repairs himself or give up on any further discussion with UKI about the fair settlement of his claim. And understandably, he chose to pay for the repairs himself.

Given that UKI have increased their initial offer on a number of occasions – having considered Mr Z's representations – it's arguably clearly unfair to have tried to get Mr Z to agree to drop any further arguments in favour of a more timely pay out.

It's difficult, in this case, to separate out which element of this particular issue should be dealt with as part of which complaint. However, for the sake of convenience and ease of understanding, I'll deal with the impact on Mr Z in my other decision on the second complaint. It's only when we look at the whole timeframe that we see how far Mr Z has been disadvantaged by not being able to access interim payments."

And on that basis, I said I was minded to (formally) uphold the complaint and require UKI to pay the £2,250 they'd offered to Mr Z and Mrs Z.

The responses to my provisional decision

UKI responded to my provisional decision to say that they had in fact sent Mr Z a cheque for the £2,250, in August 2013, at the same time they issued their final response to Mr Z's complaint to them and *before* Mr Z brought the complaint to us. They also confirmed that the cheque had been cashed.

Mr Z responded to my provisional decision in this case and my provisional decision on the linked case in one email. It was at Mr Z's insistence that we didn't amalgamate the two cases from the outset.

In so far as his comments relate to this particular case, Mr Z made the following

observations. I've summarised these rather than repeat them in full.

One – Mr Z says the service provided by UKI's loss adjuster, in particular, was very poor. Mr Z's comments range across the period before 1 August 2023 (when UKI provided their final response to this first complaint) and after that date (a period I've considered in dealing with the other linked case).

Two - Mr Z says that, whilst UKI have covered one month's loss of rent (because of delays they caused), they should in fact pay for three months' loss of rent. He calculates the relevant time period as being from 1 April 2023 (when he says repairs started) to 30 August 2023 (when they were completed) – so five months. And he says it took two months to actually carry out the repairs – so, there were three months delays caused by UKI.

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.

I'm grateful to UKI for confirming the position in terms of the compensation paid to Mr Z. Given that UKI did in fact pay Mr Z the £2,250 they offered in response to his first complaint *before* Mr Z brought that complaint to us, I have changed my mind about the formal outcome of this complaint. This will now be not upheld.

I understand Mr Z's comments about the poor service and delays caused by UKI and/or their agents. His recent comments don't change my view about that – the service he received was poor and there were avoidable delays.

But that was reflected in the compensation Mr Z received, which I'm still satisfied is fair, given the period under consideration in this particular case (up to 1 August 2023). I set out my reasons for thinking that amount was fair in my provisional decision (above) and there's no need for me to repeat them here.

As regards Mr Z's comments about loss of rent, he's not persuaded me to change my mind. He says the repairs began in April 2023 – that's two months after the claim was made.

UKI in effect accepted that their errors delayed things by a month in that period (and paid Mr Z the equivalent of one month's loss of rent). As I said in my provisional decision, that was generous – claims of this complexity aren't settled instantaneously after the claim is made.

After the repairs started, in April 2023, they were carried out by Mr Z's own contractors. If they weren't completed until the end of August 2023, I struggle to see how UKI could be held responsible for that.

In summary, I remain satisfied that the compensation (£2,250) offered in this particular case is fair and reasonable. And given that UKI paid it before Mr Z brought his complaint to us, I won't be upholding Mr Z and Mrs Z's complaint.

My final decision

For the reasons set out above, I don't uphold Mr Z and Mrs Z's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs Z and Mr Z to accept or reject my decision before 26 March 2025.

Neil Marshall
Ombudsman