

The complaint

Miss C complains about the handling of a claim by her insurer, Accredited Insurance (Europe) Ltd (Accredited), for damage at her property caused by an escape of water.

Accredited use agents to administer the policy and to assess claims. References to Accredited include these agents.

Accredited dealt with damage to contents at Miss C's property but she wasn't happy at how they dealt with the buildings element of the claim. So, this decision only covers the latter.

What happened

In March 2024 Miss C was away and returned home to find there had been an escape of water from a leak in the bathroom. A plumber attended and fixed two leaks. She contacted Accredited to tell them about the incident and lodge a claim. Accredited accepted the claim and appointed a firm (T) to assess the claim and a surveyor (CPS) to inspect the damage. Following CPS's inspection, Accredited appointed a specialist supplier (SCI) to test for potential asbestos. SCI visited in April 2024 and confirmed the test results were negative.

Accredited also arranged for a drying firm (TFR) to visit the property at the beginning of May. TFR also visited the property and reported on the damage, primarily to the bathroom, but also an ensuite bathroom and the lounge. Miss C said she'd noticed damage to the ensuite floor tiling, providing photographs in support of her view. She thought the damage was the result of the leak from the bathroom spreading to the adjoining ensuite. However, Accredited didn't accept the damage was caused by the escape of water in the bathroom, saying the tiling issue was due to poor condition of the grouting and a crack running along the tiles was a stress crack, which they considered wear and tear, excluded under the policy. So, they declined to cover the damage to the ensuite.

Unhappy at the partial decline of her claim, Miss C complained to Accredited. She was also unhappy at the cash settlement they'd offered (£2,231.76 plus £446.34 for reclaimable VAT, subsequently increased to £3,155.50 and £631.09 respectively to include replacement of lounge flooring and other items) as she'd had quotes from contractors for £11,100 and £11,700 to repair the damage (including the lounge, bathroom and ensuite).

In their final response, issued in May 2024, Accredited didn't uphold the complaint. They said they'd accepted the damage to the bathroom. But they maintained their decision not to cover the damage to the ensuite. They referred to the policy wording excluding damage caused by wear and tear or gradual deterioration, or by sealant or grout failings.

Unhappy at the final response, Miss C complained to this Service, saying the damage to the ensuite was caused by the escape of water in the bathroom, but CPS hadn't looked at this in their inspection (although she said she didn't notice the damage at the time). And TFR only visited the property some eight weeks after the escape of water. Miss C was pregnant at the time of the incident and her complaint to this Service, saying the issues with her claim and Accredited's handling of it was affecting her health. She wanted Accredited to fully settle her claim – including the damage to the ensuite – and ensure the repair work was carried out as soon as possible. She also said she was told over the phone by Accredited the downstairs

flooring would be covered, but she wasn't certain it had been included in Accredited's scope of works. She'd asked Accredited if their contractors could carry out the reinstatement work, but it hadn't been offered.

Our investigator upheld the complaint, concluding Accredited hadn't acted fairly. From the evidence, she wasn't persuaded the cracks in the ensuite flooring were due to wear and tear and grouting issues, given the ensuite was new when Miss C bought the property in 2019. And low moisture readings from TFR were taken eight weeks after the leak. And as the leak had spread to adjoining rooms other than the ensuite, the investigator thought it more likely the flooring had been damaged by the leak in the bathroom. So, she thought Accredited had unfairly declined this element of the claim.

On the cash settlement offered by Accredited, it was clear Miss C wouldn't be able to have the repair work carried out, given the quotes from her contractor. The investigator also couldn't see Accredited offered Miss C the option of using one of their contractors to carry out the work at any point. As the work hadn't been carried out, she didn't think it fair to ask Accredited to appoint one of their contractors, as that would likely mean further delay. But she didn't think it fair for Accredited to offer a cash settlement that wouldn't indemnify Miss C (enable her to get the repairs carried out). Guidance from the Association of British Insurers (ABI) indicated Accredited should satisfy themselves their cash settlement offer was satisfactory in light of the estimated costs to reinstate the property. The investigator didn't think this was the case. She thought Accredited should base their cash settlement on the lower of the two quotes Miss C obtained.

On the time taken to progress the claim and the service provided by Accredited, she thought delays in Accredited arranging for a plumber to fix the leak left Miss C without a working water supply for two days, while Miss C was heavily pregnant and having a young child. And Accredited hadn't always been timely in responding to Miss C. To put things right, she thought Accredited should pay Miss C £250 compensation for distress and inconvenience.

Accredited disagreed with the investigator's conclusions. They accepted the recommended compensation for service issues but didn't agree to cover the ensuite flooring. They would agree to carry out a further visit to inspect the damage, as it wasn't clear where the damage was in relation to the main bathroom. Nor did they agree to settle the claim based on a contractor quote from Miss C. They said their surveyor, while inspecting the property, would have offered Miss C the option of either taking a cash settlement or have one of their approved contractors carry out the reinstatement work. They also provided a message from their online portal that referred Miss C to the availability of approved contractors in her area and would be an option. But Miss C told them she wished to take a cash settlement and appoint her own contractors. However, should Miss C now wish one of their approved contractors carry out the work, they would instruct them to proceed.

Following discussion between our investigator, Miss C and Accredited, Miss C agreed a further inspection, which took place in November 2024. But the surveyor still thought the ensuite flooring damage wasn't related to the original bathroom leak (although he couldn't be sure there was either a separate leak in the ensuite or a defective seal around the shower tray. Miss C subsequently had work on the main bathroom and lounge carried out. Our investigator considered the further developments but maintained her view Accredited should cover the costs incurred by Miss C in reinstating her bathroom and lounge, on production of invoices and receipts. And that they should cover the damage to the ensuite.

However, Miss C said her contractor found further damage when carrying out the work. They thought the leak had damaged the plasterboard and floor boards and a supporting joist. Having taken up the bathroom floor tiles, there was a dip in the floor. The rotting joist meant

everything around and above it was sinking and uneven, which would explain the cracked tiles in the ensuite bathroom.

In my findings, I was more persuaded the ensuite tiles and flooring were affected by the adjoining bathroom leak. Not there was a wear and tear or grouting issue. So, I concluded the damage to the ensuite should be covered under the claim.

I also concluded that as repairs were substantially complete (if not complete) then the option of Accredited appointing their own contractor no longer existed. In which case, I thought a fair resolution would be for Accredited to settle the claim in line with the policy conditions, to pay Miss C the fair and reasonable costs of the work carried out by her contractor. To support the costs, Miss C should arrange for a final schedule of costs and work carried out by her contractor, in sufficient detail to support the amount charged for the work, to enable Accredited to arrive at a fair and reasonable settlement based on the actual costs incurred.

On Accredited's handling of the claim, including the time taken and the communication with Miss C, I noted what Miss C set out about the impact of what happened, particularly given her circumstances. I also noted the difficulties of having to live in a property with damage of the nature caused by the leak. Considering the impact on Miss C, then up to the date of Accredited's final response, I thought £250 compensation would be fair and reasonable.

Because I reached differing conclusions – and for additional reasons – to those of our investigator, I issued a provisional decision to provide both parties with the opportunity to consider matters further. This is set out below.

What I've provisionally decided – and why

I've considered 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 Accredited have acted fairly towards Miss C. In doing so, I would assure Miss C I've considered the points she's made as part of her complaint, including those about her pregnancy at the time of the incident and the impact on her along with what happened.

It's also important to note it isn't the role of this Service to assess claims, including individual elements of a claim. That's for Accredited as the insurer. But we do consider whether insurers have acted fairly and reasonably in assessing a claim or ask insurers to carry out specific actions we consider fair and reasonable in the particular circumstances of a case. For example to re-assess or settle a claim (or elements of a claim) or consider evidence and information provided by a consumer.

Looking at the case, I've deliberately set out in detail what has happened from the initial escape of water, up to and including the time the complaint was passed to me to consider. I think that's particularly important in this case in deciding what would be a fair and reasonable outcome. From what I've seen, Miss C has had the majority, if not all of the reinstatement work carried out on her property, including to the bathroom, lounge and ensuite (the invoice/quote from her contractor includes all three). So, at this point, it wouldn't be practical to ask Accredited to appoint one of their contractors to carry out the reinstatement work (as had been discussed at various points). Generally, insurers won't appoint an approved contractor where any reinstatement work has been carried out, as they aren't able to provide a guarantee for completed work in such circumstances.

Given the specific circumstances of this case, I think there are three key issues for me to consider. First, whether it was fair and reasonable for Accredited to decline to cover the

damage to the ensuite. Miss C says the damage, while not immediately apparent at the time she reported the leak from the bathroom (the ensuite doesn't appear to have been considered in the initial surveyor visit either), was a consequence of the leak from the adjoining bathroom. So, it should be covered. Accredited initially said the damage was due to unrelated wear and tear (and grouting) issues. Which are excluded under the policy. More recently, their subsequent surveyor report concluded the issue was most likely a result of water spraying out under showering (given a shower curtain was too short).

The other two issues are whether the cash settlement offered by Accredited was fair and reasonable (which would encompass whether it should have included the ensuite).. Miss C says it isn't sufficient to enable her to have the damage repaired. Accredited says it reflects the damage they are willing to cover, at what would be the cost to them of having the repair work carried out.

The third issue is Accredited's handling of the claim, including the time taken and the communication with Miss C. Miss C has set out the impact of what happened, particularly given her circumstances at the time of the incident and thereafter (she was heavily pregnant at the time). I've noted neither Miss C nor Accredited have challenged our investigator's recommendation of compensation for distress and compensation.

Coming back to the first issue, the damage to the ensuite. I've carefully considered the evidence and information available. On the damage to the property from the leak more generally, CPS's report, after their inspection at the end of March 2024, includes the following summary of the damage:

"Lounge – access hole to the ceiling which will need a patch repair and skimming to the ceiling. There appears to be artex under the skim cost of plaster and this will need to be tested for asbestos before any repairs are undertaken. The light fitting will need to be removed and refitted and the ceiling redecorated.

Bathroom – Loose floor tiles and high moisture readings. Remove and replace the floor tiles with plywood underlay. Remove and refit the basin. pedestal and WC. Replace and redecorate the skirting board."

The report makes no mention of the ensuite, suggesting it either wasn't part of the inspection or the surveyor didn't think (or see) there was any damage.

TFR's report from their visit following CPS's visit covers the lounge, bathroom and ensuite, noting damage to the ceiling, floor and floor respectively. The report also states:

"Cracking on ensuite tiles

Bathroom tiles are raised but showing low moisture levels.

Lounge ceiling reading low but needs replacing.

Chipboard reading high but will be replaced..."

Accredited's partial decline of the claim (for the ensuite tiles) was also based on review of the reports by their in-house surveying team, who concluded:

"Further review completed of TFR report. They have advised chipboard flooring in the bathroom needs replacing; this has been added to the scope. They have made no comment regarding the ensuite tiling other than completing moisture readings which show this area to be low.. Following review, I still cannot agree to replace the ensuite flooring and maintain as per my review: the policyholder has provided photos and I

do not consider this to be consistent with the claim and water damage, the grouting is in poor condition and the crack running along the tiles is consistent with a stress crack, this is a wear and tear issue.”

In declining this element of claim,. Accredited referred to the following policy terms. First, to Section 1 – Buildings cover and Sub-Section 4: Escape of Water or oil which state:

“X We don’t cover:

f. Loss or damage caused by sealant or grout failing to work properly or by an inappropriate sealant or grout being used.”

Accredited also refer to the General Exclusions section of the policy which includes the following:

“12. Any gradual or maintenance-related loss or damage

- Wear and tear...*
- Gradual deterioration (whether you were aware of it or not)…”*

Given the further developments following our investigator’s view and the subsequent discussions, I’ve also looked at the further report from CPS, following their inspection of the ensuite bathroom in November 2024. The report states:

“...High moisture readings were recorded around the end of the shower tray where the customer access and egresses the shower. There was no moisture noted to the ensuite floor area to the left wall separating the bathroom from the ensuite and no moisture to the floor adjacent to the rear wall. Therefore the moisture to the ensuite floor has not migrated from the bathroom. The moisture is most likely due to water spraying out during showering as the shower curtain stops approximately 400mm short of the shower tray, giving ample opportunity for water to spray out and ingress in the floor via the grout or silicone seals.”

I’ve considered all three reports carefully, together with what Miss C (and her contractor) have said. She maintains there was damage to the ensuite floor, caused by the leak from the adjoining bathroom. She said there was also damage to other adjoining rooms (wet carpets) and her contractor, when carrying out reinstatement work, said the leak from the bathroom had been ongoing for some time before the damage became apparent (this is consistent with a comment in TFR’s report which states: “Waste water pipe in upstairs bathroom was leaking and also leak from back of toilet. This built up over time unknown and then leaked through ceiling...”).

While moisture readings were low in the ensuite at the time of TFR’s visit, this was some time after the leak had been fixed, so I would have expected readings to have dropped. Had readings been taken at the time of CPS’s visit, they may have been higher. The readings were also low at the time of CPS’s further visit in November 2024 (to the area adjoining the bathroom). But given the readings were low previously and the second CPS visit over six months later, this isn’t surprising. But it doesn’t provide any clear evidence of what conditions would have been at the time of the original leak.

On CPS’s second report, it concludes moisture levels were high around the shower tray, which CPS attributed most likely to water spraying out of the shower tray due to the shower curtain being short of the shower tray. The photographs of the ensuite in TFR’s report support the point about the shower curtain, but they also indicate what appears to be a clear screen around the edges of the shower tray, down to the bottom (the curtain sits inside the

screen). I've also noted what Miss C has said about the need to make more use of the ensuite shower in the period after the bathroom leak, given her concerns about the safety of the bath in the main bathroom. Which may indicate the high moisture levels around the shower tray. But the levels weren't high at the time of TFR's inspection. This suggests the high moisture readings from CPS's second visit were more recent than the original bathroom leak (and unconnected).

When bringing her complaint to this Service, Miss C said she noticed cracks in the ensuite grouting, then lifting, a few weeks after the initial bathroom leak. And the plumber who fixed the bathroom leaks told her that looking under the bath showed the leak had spread to the adjoining ensuite (although this wouldn't be clear until it was stripped out). Miss C also says the leak affected the other adjoining room, where Accredited agreed to clean the carpet.

Given also the reference to cracked, lifting and uneven tiles in the ensuite noted by Miss C, together with what she says her contractor told her they found when they lifted the tiles, about the conditions underneath and the rotting joist (which led to the cracked ensuite flooring tiles) then I'm more persuaded the ensuite tiles and flooring were affected by the adjoining bathroom leak. Not there was a wear and tear or grouting issue (the latter could reasonably be thought to be a consequence of the tiles lifting and the uneven floor, not a cause). I'll consider what I think Accredited needs to do to put things right on this issue once I've considered the other complaint issues.

On the second issue, whether Accredited have acted fairly in making a cash settlement offer and whether the offer is fair, I've again considered the evidence and information available.

The policy provides, as do most home insurance policies, for Accredited to determine how to settle a claim. This includes the options of an approved contractor from Accredited or for the claim to be cash settled. As with most insurance policies, if a cash settlement is offered, it will be on the basis of what it would have cost Accredited to have the work carried out (reflecting the discounted rates they are able to secure from approved contractors because of the volume of work they can place with the contractor. The exact wording of the relevant policy terms are as follows, under the "Settling claims under buildings covers – 1. How much we will pay":

"When settling your claim, if we decide that we can offer rebuilding work, repairs or replacements, we will ask you to choose one of the following options:

- a. We will choose a contractor (our preferred contractor) and instruct them to carry out the rebuilding work, repairs or replacements.*
- b. We will pay you a cash settlement for the same amount it would have cost us to use our preferred contractor.*

If we cannot offer rebuilding work, repairs or replacement (as defined by us) through our preferred contractor, we will pay you:

- a. fair and reasonable costs to have the work carried out by your chosen supplier; or*
- b. the amount by which the buildings have gone down in value as a result of the damage; whichever is lower."*

In this case, there's disagreement between Miss C and Accredited about whether she was offered the option of Accredited appointing a contractor. She maintains she wasn't, whereas Accredited maintain the option would have been discussed during CPS's visit (although I haven't seen any evidence it was). Accredited also point to messages on their online portal in which they mention the availability of contractors in Miss C's area and that it "would be our

alternative option for you.” Accredited also say it was Miss C’s choice to opt for a cash settlement – although the online portal includes her saying it wasn’t but wanted to “look at both”. Which I take to mean she would consider a cash settlement alongside the option of engaging her own contractor (there’s comment from Miss C that she’s getting a quote from a local builder but would consider using a contractor appointed by Accredited).

The portal messages then show discussion about what the scope of works prepared by Accredited (and used as the basis for their cash settlement offer) includes. But as they declined to cover the damage to the ensuite flooring, the scope was necessarily less than the work Miss C considered necessary. Even allowing for this, there was a significant difference between the cash settlement offered and the quotes from Miss C’s contractors. In turn, this led to no progress on the claim before Miss C complained to Accredited and then to this Service.

As set out above, discussions during our investigation of Miss C’s complaint raised the possibility of Accredited appointing their own contractor, dependent on a further surveyor inspection, which took place in November 2024. I’ve set out my conclusions on this aspect of the case above, when concluding I don’t think Accredited acted fairly in maintaining their decline of the damage to the ensuite flooring. At that point, given the length of time from the original leak (March 2024) and the difficult conditions in which Miss C was living, including a young child and new-born infant, together with uncertainty over how quickly the damage at the property could be repaired, Miss C instructed her preferred contractor to carry out the reinstatement work.

Given her circumstances and the continuing impact of conditions at the property, I can understand why she took that decision. The claim notes from the time of the original leak clearly show Miss C emphasising to Accredited her circumstances (heavily pregnant at that time) and her desire for the repairs to be carried out as soon as possible. Being in the same position, many months later, it was understandable she wanted to bring matters to a conclusion and to resolve the uncertainty.

In that situation, as repairs are now substantially complete (if not complete) then the option of Accredited appointing their own contractor no longer exists. In which case, I think a fair resolution would be for Accredited to settle the claim in line with the first of the second pair of options set out above. That is, to pay Miss C the fair and reasonable costs of the work carried out by her contractor. I’ve seen an estimate/quote for the cost of the work – although it’s unclear whether this is the final cost, for example to include the cost of a rotting joist(s) discovered as part of the work. To support the costs, Miss C should arrange for a final schedule of costs and work carried out by her contractor, in sufficient detail to support the amount charged for the work, to enable Accredited to arrive at a fair and reasonable settlement based on the actual costs incurred by Miss C.

The third issue is Accredited’s handling of the claim, including the time taken and the communication with Miss C. As I noted earlier Miss C has set out the impact of what happened, particularly given her circumstances at the time of the incident and thereafter (she was heavily pregnant at the time). I’ve also noted the difficulties of having to live in a property with damage of the nature caused by the leak. The claim notes and portal message exchanges also show clearly Miss C’s frustrations at the progress of the claim. And Accredited acknowledge, to use one example, they should have deployed their drying firm much sooner than they did, which left Miss C to deploy her own dehumidifiers to help dry the property after the leak.

Considering the impact on Miss C in the context of the published guidelines from this Service on awards for distress and inconvenience, then up to the date of Accredited’s final response, I think £250 compensation would be fair and reasonable.

My provisional decision

For the reasons set out above, it's my provisional decision to uphold Miss C's complaint. I intend to require Accredited Insurance (Europe) Ltd to:

- *Settle the claim in line with the policy terms to pay Miss C the fair and reasonable costs of the work carried out by her contractor. To support the costs, Miss C should arrange for a final schedule of costs and work carried out by her contractor, in sufficient detail to support the amount charged for the work, to enable Accredited to arrive at a fair and reasonable settlement based on the actual costs incurred.*
- *Pay Miss C £250 in compensation for distress and inconvenience.*

Accredited Insurance (Europe) Ltd must pay the compensation within 28 days of the date we tell them Miss C accepts 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.

Miss C responded to say she had already provided a copy of the invoice for the repair work from her contractor, including VAT, asking whether the provisional decision meant – should they accept it – Accredited would pay the amount on the invoice.

Accredited responded to say they accepted the provisional decision and would (on closure of the case) proceed to settle the claim accordingly.

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 Accredited have acted fairly towards Miss C.

On the points made by Miss C, my provisional decision was for Accredited to pay Miss C the fair and reasonable costs of the work carried out by her contractor, supported by an invoice of sufficient detail for Accredited to see the scope of the work carried out and determine what would be fair and reasonable. It's for Accredited to make that decision and communicate it to Miss C. Where insurers settle a claim by reference to costs incurred by a policyholder's contractor, it is standard practice for them to pay fair and reasonable costs. And as I set out in the provisional decision, this is what the policy terms provide for.

On the question of VAT, then standard practice is for any settlement to include the relevant VAT element where settlement is made on the basis of invoices submitted by a contractor (where they are registered for VAT). As the invoice from Miss C's contractor includes VAT, then I would expect Accredited to include VAT in their settlement of the claim.

My final decision

For the reasons set out above, it's my final decision to uphold Miss C's complaint. I require Accredited Insurance (Europe) Ltd to:

- Settle the claim in line with the policy terms to pay Miss C the fair and reasonable costs of the work carried out by her contractor. To support the costs, Miss C should arrange for a final schedule of costs and work carried out by her contractor, in sufficient detail to support the amount charged for the work, to enable Accredited to arrive at a fair and reasonable settlement based on the actual costs incurred.

- Pay Miss C £250 in compensation for distress and inconvenience.

Accredited Insurance (Europe) Ltd must pay the compensation within 28 days of the date we tell them Miss C accepts 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 Miss C to accept or reject my decision before 7 April 2025.

Paul King
Ombudsman