

The complaint

Mr and Mrs L complain about the way Royal & Sun Alliance Insurance Limited (RSA) handled a claim they made on their home insurance following an escape of water.

What happened

In February 2024 there was an escape of water at Mr and Mrs L's property which caused damage to two rooms. RSA accepted the claim but there was a dispute over the claim costs; RSA wouldn't agree to the quote Mr and Mrs L provided from their own contractor. It ultimately offered around £3,000 for the works.

In May 2024 RSA responded to a complaint from Mr and Mrs L about how it had handled matters. It accepted there had been some delays in progressing the claim, it apologised for those and offered £150 compensation. But it didn't agree its offer was unfair. It said Mr and Mrs L's quote had included the replacement of items which hadn't been damaged, such as the toilet basin and skirting boards. It said, if Mr and Mrs L were able to provide a second quotation, it would consider the matter further.

Unsatisfied with RSA's response, Mr and Mrs L referred their complaint to the Financial Ombudsman Service for an independent review. They said their contents claim still hadn't been resolved and they wanted RSA to pay a fair settlement offer for the reinstatement of the property.

Our Investigator said that issues relating to contents hadn't been raised with, or answered by, RSA in its May 2024 complaint response. So, she said those issues would need to be raised as a separate complaint. In relation to the delays and claim settlement, she thought RSA had provided reasonable offers. As such she didn't think RSA needed to do anything more.

Mr and Mrs L didn't accept the outcome. They said RSA hadn't told them that it could carry out the repairs until its complaint response. They also said they'd removed the cost of a replacement toilet from the claim – accepting it wasn't damaged – and there was still a disparity between their quote and RSA's offer.

In February 2025 I issued a provisional decision on this complaint. I said I intended to ask RSA to reimburse Mr and Mrs L what they'd paid for the reinstatement works. I said I couldn't see RSA had offered to reinstate the property. And so I didn't think it was fair for it to cash settle at its rates. A copy of my findings is below.

Like our Investigator, I haven't reviewed Mr and Mrs L's concerns about the contents claim as part of this decision.

Mr and Mrs L's policy does allow RSA the choice to settle a claim for damage in a number of ways, including by repair, replacement, or cash settlement.

Where a business offers to carry out reinstatement, but a policyholder chooses to use their own contractors to do the work, this Service usually considers it fair for the business to only pay what it would have paid its own contractors to do the works. This is because insurers can generally get better rates with its preferred suppliers, and so it shouldn't have to pay more to settle a claim simply because a policyholder wants to choose their own contractor.

However, where an insurer hasn't offered to carry out the reinstatement, then this Service doesn't general consider it fair for it to settle a claim based on its own preferential rates. As such an insurer will generally have to reimburse what a policyholder pays for private rates.

From what I've seen of RSA's file, I don't think it did offer to carry out the reinstatement work. I haven't seen any evidence it offered to do this, and that Mr and Mrs L instead requested their own contractor to do the work. It was only in May 2024, when RSA responded to Mr and Mrs L's complaint, that I've seen it offered to carry out the works at all.

I have asked RSA, prior to issuing this decision, for any further evidence that it offered reinstatement to Mr and Mrs L. I was told they would've been provided with a letter outlining the options at the start of the claim, but RSA can't provide a copy of it. I'm more persuaded by Mr and Mrs L's testimony on this. They've provided me a copy of the initial email they received from RSA, there are no options provided. They were simply asked to provide a report. And Mr and Mrs A say, had RSA offered to carry out the work from the start, they'd have agreed.

Following RSA's request for a report, Mr and Mrs L provided a plumber's report in support of their escape of water claim. The plumber also included a quote for the reinstatement works needed. Perhaps, on this basis, RSA assumed they wanted to carry out repairs themselves. However, I'd have expected RSA to make this clear to Mr and Mrs L that they'd most likely receive less from RSA as a cash settlement than what they'd be charged to do the work privately. I can't see that RSA made any of the options, and implications of those, clear.

RSA said it did offer reinstatement in its complaint response of May 2024, but Mr and Mrs L had already gone ahead and started the work by that time. RSA considers this shows they'd have always gone ahead with their own repairs. I don't agree that it does. I think Mr and Mrs L made a reasonable decision to progress with their own repairs in May 2024. They say they were frustrated with the time it was taking and RSA's handling. They'd made the claim in February 2024. There had been delays in RSA appointing adjusters to assess the damage and there was poor communication from RSA. I can see why, in the absence of an alternative being offered by RSA – they felt the need to start the works in May 2024 whilst complaining about the overall settlement amount being offered.

So I think RSA's mistake – in not being clear about the options – has resulted in Mr and Mrs L being at a financial loss. As such, to put Mr and Mrs L back (as closely as possible) to the position they'd been in but for that mistake, RSA should reimburse Mr and Mrs L in full for what they paid for the repairs. In order to work out the total amount payable to Mr and Mrs L I've reviewed the information they provided.

On the quote provided, Mr and Mrs L claimed for losses (excluding the toilet basin which they accepted wasn't damaged) of £5,610. RSA had said that replacement skirting boards for the storage room, included in the quote, didn't need to be replaced. Having read its comments on that, I think its most likely those weren't damaged by the escape of water. As such I think it is reasonable for RSA to deduct this cost.

The quote says, to fit new skirting boards and lay new laminate, £750 would be charged (this didn't include the cost of the flooring). I don't know how much of that cost would be attributed to the fitting, and purchase of, new skirting boards. In order to move this case forward as efficiently as possible I'll estimate £250 for that work, with the remaining £500 quoted to fit the laminate (which RSA will need to cover). But I'll take into account any comments either party wishes to make on that before reaching a final decision. So the for quote provided, I intend to say RSA needs to pay £5,360 (£5,610 - £250 = £5,360).

In addition, Mr and Mrs L have provided information on their flooring costs, which were not included in the quotes. For the tiles and laminate flooring they say they paid £483.84. I've no reason to think the flooring wasn't in keeping with the same quality and type they had before, so I intend to also ask RSA to cover this amount.

So to settle the claim I think RSA should pay Mr and Mrs L a total of £5,843.84 (£5,360+ £483.84 = £5,843.84). I understand that RSA has already settled the claim for around £3,000, it can take any amount already paid off this total figure. And as Mr and Mrs L have unfairly been without the remaining amount payable, RSA will need to add 8% interest onto that amount from the date of repairs until the date of settlement.

RSA has offered £150 for delays in progressing the claim. I think, considering the unnecessary trouble and upset Mr and Mrs L have been put to due to RSA's unclear communication, that £250 would be a fair level of compensation to reflect the distress and inconvenience caused.

Mr and Mrs L accepted my provisional findings, as did RSA. RSA did propose that rather than calculating 8% interest on the amount payable, that it instead would increase the compensation by £250. Taking the total compensation award to £500. I've shared with the parties that I considered this to be a fair and reasonable way to resolve the complaint. I've also spotted that I'd made an error in my initial calculation originally set out in the provisional findings, which I've now corrected. As such the total amount for RSA to pay is £5,843.84, less any amount already paid.

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.

As both parties have accepted my findings I see no reason to depart from them. So as such my provisional findings are now that of this, my final decision. I also consider RSA paying £250 compensation, rather than calculating an 8% interest award is fair and reasonable in the circumstances of the complaint. So that's what I'll direct it to do.

Putting things right

Royal & Sun Alliance Insurance Limited will need to:

- Pay Mr and Mrs L a total of £5,843.84 for the repair work. From this RSA can deduct the amount already paid.
- Pay a total of £500 compensation, including the £150 it had previously offered.

My final decision

My final decision is that I uphold this complaint and I direct Royal & Sun Alliance insurance Limited to settle it in line with the 'putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L and Mrs L to accept or reject my decision before 8 April 2025.

Michelle Henderson
Ombudsman