

The complaint

Mr N has complained on behalf of N, a limited company, about the amount Society of Lloyd's ("SoL") has offered to settle a claim made under N's commercial insurance policy.

Reference to N or SoL includes their respective agents and representatives.

What happened

The circumstances aren't in dispute, so I'll summarise the background:

- N was contracted to carry out work at a property. It mainly involved converting the roofs of two blocks of flats. N began work and reached the point where scaffolding and temporary roofs were in place in both blocks. During bad weather, damage was caused to the scaffolding and roofs. Temporary repairs were carried out, but further bad weather caused further damage. N got in touch with SoL to make a claim for the costs involved in putting the damage right.
- SoL arranged for the damage to be inspected by an engineer, C. In summary, C said the scaffolding hadn't been constructed in accordance with the design. That meant it had been unable to withstand wind speeds that it should have been able to – which caused the initial damage. C said the design didn't specify certain key information, and that wasn't identified by those carrying out the repairs. This combination of factors allowed for the further damage.
- SoL declined the claim. It said the policy didn't cover the cost of putting right damage to property in a defective condition – and the scaffolding was damaged because it was in a defective condition for the reasons noted in the point above.
- After N challenged that position, SoL reconsidered the matter. Whilst it maintained the costs associated with making good the scaffolding weren't covered, it accepted other costs would be – those arising from damage to the permanent works N had carried out to the property. After taking advice from a quantity surveyor working for C, SoL paid around £340,000.
- N didn't think this was a reasonable amount. It said it had paid significantly more than that as a result of the damage. It also thought the claim had been poorly handled. N complained. SoL maintained its position.
- Our investigator thought SoL had acted fairly in the circumstances and didn't ask it to do anything further.
- N disagreed and asked for an Ombudsman to consider the matter, so the complaint has been passed 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.

- When considering what's fair and reasonable in the circumstances I've taken into account relevant law and regulations, regulators' rules, guidance and standards, codes of practice and, where appropriate, what I consider to have been good industry practice at the time. Whilst I've read and taken into account everything said by both parties, I'll only comment on the points I think are relevant when reaching a fair outcome to this dispute. That's a reflection of the informal nature of this Service.
- There are a number of points to consider – whether it was fair for SoL to decline the costs associated with scaffolding, whether it paid a fair amount for the other damage, and whether it handled the claim fairly. I'll consider each point separately.

Was it fair for SoL to decline the costs associated with scaffolding?

- I'll start by summarising the key policy terms relevant to this point.
- The policy includes a Contractors All Risks section. Within this section, the policy covers damage to the contract works, subject to a number of terms and conditions.
- SoL has relied on a term which says the policy doesn't cover "damage to and the cost necessary to replace repair or rectify: property insured under this policy which is in a defective condition due to a defect in design, plan specification, materials or workmanship of such insured property or any part of that insured property".
- This means the cost to make good the damage to the scaffolding isn't covered if it was caused by one of the defects noted. As SoL is relying on a policy exclusion, the onus is on SoL to show it would be fair to do so.
- SoL took advice from a chartered structural and civil engineer working for C. The individual is highly experienced and appropriately qualified. They inspected the damage, took into account information relevant to the damage, and wrote a comprehensive report into the matter. The report clearly explains why C thought the initial damage to the scaffolding was due to a defect in the workmanship and the further damage to it was due to a defect in the design and workmanship.
- I haven't seen any other professional opinion about the matter. So I have no evidence to challenge what C has said. Given C's professional standing, the clarity of their findings, and the lack of an alternative professional opinion, I'm persuaded by what C has said. I'm satisfied C's opinion supports SoL's position that the exclusion noted above can be relied upon to decline the costs associated with the scaffolding.

Did SoL pay a fair amount for the other damage?

- The policy is clear that the exclusion noted above doesn't apply to other insured property which isn't in a defective condition, but which is damaged due to the defective condition.
- SoL has accepted this means that other damage to the contract works is covered by the policy – subject to the terms and conditions. A key term sets out how a claim will

be settled. In summary, it says SoL will pay “the cost of repairs necessary to restore the damaged property to its condition immediately prior to the damage occurring”.

- N said it faced costs of over £1,000,000 arising from the other damage. SoL considered the evidence N provided to support those costs and asked for more detailed information about them. When it didn't receive what it considered to be sufficiently detailed information, SoL sought to estimate the cost.
- I understand N considers the claim should be settled based on the costs it says it faced, as they are an accurate record of the money it spent putting things right. N has provided some information to support its position and the costs incurred.
- I don't think it was unreasonable in principle for SoL to seek evidence to support the costs in principle. In any claim it's entitled to understand how costs were incurred and whether, or to what extent, they're covered by the policy. How much and what evidence is reasonable will vary from case to case.
- I bear in mind that N's claim of over £1,000,000 is a significant sum. So, it's understandable that SoL would expect detailed information to explain and justify such costs. And I haven't seen anything to suggest the evidence SoL asked for was inappropriate or irrelevant to the claim. In these circumstances, I consider SoL's enquiries were proportionate to the claim value and reasonable in the circumstances.
- SoL took advice from a chartered quantity surveyor working for C. The individual is highly experienced and appropriately qualified. C visited the property and held a number of meetings with N to understand the circumstances. Their calculations to support the estimate are detailed, set out clearly, and have been shared with N. The estimate was around £340,000 – and that's what SoL paid. So I'm satisfied SoL has settled the claim based on C's professional opinion and after giving N opportunities to understand, inform and challenge the estimate.
- I haven't seen anything comparable to C's estimate from N that might challenge what C has said or provide further information for C to consider.
- Taking all of this into account, I'm satisfied the amount SoL paid was in line with the policy terms and fair and reasonable overall.

Did SoL handle the claim fairly?

- SoL is required to handle claims promptly and fairly. I'm satisfied SoL broadly met that requirement during this claim. I'll explain why.
- The claim began in February 2022. A loss adjuster was appointed and, soon after, so was C. Information was gathered from N and the policy considered. By June 2022, SoL had initially declined the claim. In October 2022, N challenged the claim outcome, SoL asked C to consider the costs of the other damage, and, by December 2022, it had set out how much it would pay and why.
- Communication between the parties continued after that time, but SoL's position didn't change – and I've found that position to be a fair and reasonable one.
- Given the complexity and value of the claim, I don't think the time it took SoL to progress matters was unreasonable. And whilst communication could have been better at times, overall, I'm satisfied SoL acted fairly on this point.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 13 August 2025.

James Neville
Ombudsman