

The complaint

Ms W is unhappy with the service provided by HDI Global Specialty SE (HDI) following a claim made on her home insurance policy.

HDI is the underwriter of this policy. Part of this complaint concerns the actions of third parties instructed on the claim. HDI has accepted that it is accountable for the actions of third parties instructed by it. In my decision, any reference to HDI includes the actions of any third party instructed by HDI during the course of Ms W's claim.

What happened

Ms W contacted HDI to make a claim following an escape of water causing damage to her home. Ms W's claim was passed to company C to manage on behalf of HDI. The events following Ms W's claim are well known to both Ms W and HDI, so I haven't repeated them in detail here. I've summarised key events below.

Following the escape of water incident in December 2022, HDI completed a site visit and a schedule of work was put to tender. The original schedule of work was costed at £181,659.08 (excluding VAT). It was confirmed that Ms W's preferred contractor, A, would complete the repairs needed for the buildings part of Ms W's claim. Ms W appointed her own loss assessor, G, and surveyor, H, to act on her behalf in respect of the claim. HDI appointed a loss adjuster, I, to manage the claim.

Ms W's claim was placed on hold by HDI for several months until July 2023. The reason for this was because HDI had concerns about the information disclosed about Ms W's property at the time the policy was taken out.

When Ms W's claim was given the go ahead to continue, A said that the original schedule of work would need to be reviewed because of the further deterioration of Ms W's property during the period of delay between January and July 2023. A variation of schedule of work was completed by Ms W, together with the findings of her appointed agents G and H.

HDI considered the variation of schedule of work. The additional sum being claimed was around £158,000. This included £27,567.07 (including VAT) for plumbing costs, and £26,824.90 (including VAT) for electrical costs. The remaining costs related to additional costings for the utility, wardrobe, and cloakroom, and new costings for the study, front door, cupboard by front door, patio doors in lounge, windows, stairs, plastering and prelim.

The additional costings for the utility, wardrobe, and cloakroom had been added because although these had been included in the original schedule of work, Ms W had identified additional damage caused to these areas. The new costings had been included as these hadn't been provided for in the original schedule of work because the damage hadn't been apparent during the initial inspection in January 2023.

HDI said the costs Ms W was claiming were too high and not incident related. Ms W was particularly unhappy that HDI had based its decision on the opinion of company C's appointed surveyor, J, who hadn't visited her property since January 2023. Ms W

complained about the delays on the claim. HDI accepted its service had been poor, and paid Ms W £1,000 as part of its response to her complaint in October 2023.

HDI agreed to instruct an independent third party, B (a structural engineer), to help progress the claim. Ms W considered that the scope for £181,659.08 (excluding VAT) had already been agreed, and it was only the work on the variation to the schedule of work that needed authorisation.

B completed a site inspection and provided its report to HDI. B's report found that the schedule of works (including work that had previously been approved) could be completed for £148,514.08. HDI's considered B's findings and offered Ms W £181,659.08 plus VAT in full and final settlement of her entire claim.

Ms W complained about the service provided by HDI - mainly relating to the poor management of her claim, and costs that HDI said wouldn't be covered as they were not incident related. HDI didn't offer to do anything more in settlement of Ms W's complaint. Unhappy with HDI's response, Ms W brought her complaint to this service.

During our investigation HDI continued review of Ms W's claim. In July 2024 HDI made additional payments for the buildings part of the claim. The total payments made to Ms W for the buildings part of her claim was £319,079.60. The breakdown for this (inclusive of VAT) included £217,990.90 for building repairs paid directly to the appointed contractor A, £15,000 for plumbing costs, £24,324.90 for electrical costs, £27,150.00 for Ms W's appointed surveyor's fees (H), and £3,500 for preliminaries to re-engage A to complete the repairs needed. The remaining buildings costs were for ad-hoc items such as contents removal, and deposit for alternative accommodation etc.

In August 2024 Ms W submitted another complaint to HDI about the delay in authorising payments, and lack of proactive management of her claim. HDI paid Ms W £500 in recognition of its poor service and the impact on Ms W.

The investigator considered the evidence and didn't ask HDI to do anything in settlement of Ms W's complaint. Ms W rejected with the investigator's findings. As the complaint couldn't be resolved it has been passed to me for decision.

I issued a provisional decision on Ms W's complaint. This is what I said about what I'd 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'd like to reassure the parties that although I've only summarised the background to this complaint, so not everything that has happened or been argued is set out above, I've read and considered everything that has been provided.

I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it has affected what I think is the right outcome. The crux of Ms W's complaint concerns HDI's decision to rescope her claim, and reduce its settlement offer for her claim. For clarity, I've provided my provisional findings on each part of the disputed schedule of work separately.

Kitchen

Ms W says that HDI should pay for the cost of replacing her kitchen as costed for in the original schedule of work. I've seen that the kitchen was costed at £80,000. HDI say that its

appointed surveyor, J, and the detailed report completed by B, both highlighted concerns with the cost of the kitchen. HDI say both opinions shared the same concerns about the existing kitchen being of an inferior specification than what Ms W was claiming for.

I've carefully considered the evidence, including the compelling arguments made by Ms W and HDI about what amount would be fair and reasonable to allow for replacement of Ms W's kitchen. In doing so, I accept HDI's point about the concerns raised by third party experts instructed on the claim. I've seen that B instructed a further expert, a furniture specialist, to provide its opinion about the quality and costings of the kitchen. And this specialist agreed with both J's and B's findings about the costings for Ms W's kitchen being more within the region of £30,000-£40,000.

I think it's reasonable that after receiving reports from three separate experts, HDI had concerns with cost of repairs calculated in the original schedule of work. However I think the opportunity to challenge this cost was at the time of the schedule of work being discussed and agreed. I've seen that the schedule of work was approved early in the claim by the loss adjuster instructed by HDI (I). This schedule of work was put to tender and A was instructed to start repairs in accordance with the agreed schedule of work.

I accept the point about HDI being able to review the claim in order to ensure the policy terms are being met at all times. But I think it was reasonable for Ms W to rely on the approved schedule of work for the purposes of repairs being competed for her claim. At the time of the schedule of work being approved (around July 2023), the claim had already been outstanding with little progress for eight months. HDI had ample opportunity during this time to review the schedule of work, and submit any challenges to Ms W's appointed agents. I can't see that it did this. So I don't consider it would be reasonable for it to change the scope of any agreed costings so late in the claim.

I've seen that HDI did pay Ms W the cost of replacing her kitchen in line with the original schedule of work agreed. That is £80,000. So I won't be asking it to do anything more in respect of the kitchen cost.

Mechanical (Plumbing) and Electrics

In September 2023, HDI's appointed loss adjuster, I, provided a breakdown of the position of plumbing and electrical work. To summarise, the suggestion was that it was agreed repairs were needed, however there was concern about there being improvements outside of the scope of the claim. Because of these concerns, I suggested Ms W make a notional contribution of £2,500 towards the plumbing and electrical cost separately.

I've seen that despite I's recommendations, HDI initially rejected making any payment towards the plumbing and electrical work needed. HDI's position in its final response letter was that this had been covered by the £181,659.08 (excluding VAT) already agreed at the start of the claim.

However in July 2024, HDI changed its position. It said that it would pay £15,000 towards the of plumbing work put forward by Ms W which was estimated to have at total cost of £27,567.07 (including VAT). HDI said its calculation was based on additional work which had been included in the plumber's report (such as plastic water tanks) which it didn't consider was incident related. So it reduced its contribution accordingly.

HDI also agreed to pay £24,324.90 (including VAT) for the total cost of electrical work of £26,824.90 (including VAT) put forward by Ms W. HDI said it had made a notional deduction of £2,500 to reflect improvements to the system not covered by the policy, and that this deduction was in line with I's recommendation from September 2023.

I've seen that after making a complaint about HDI's service, the senior claims investigator assured Ms W and the wider claims team within company C, that it wouldn't be fair and reasonable to ask for a contribution towards the plumbing and electrics repair costs, given that these were in good working order before the date of the incident. I've also seen that HDI's own surveyor, J, completed a review of the contract variation submitted in August 2023. J said as these costs had been approved by I, it wouldn't be in HDI's interest to not honour them. J didn't make any suggestion about the costs not being incident related.

I don't think HDI's initial rejection of the plumbing and electricity repair costs was fair or reasonable. This poor claim handling is especially heightened by the timing of HDI's communication so late in the claim. At the time of informing Ms W in April 2024 that it wouldn't be paying these costs, HDI was in receipt of key evidence relating to these costs, including the plumber's report, and certificate following the electrician's inspection. HDI ought to have reviewed this, instead of rejecting the claim for these costs outright.

If HDI had reason to dispute the full costs being claimed, it ought to have raised this at the time of being provided with the plumber's report, and electrician's certificate. Although it tried re-review these costs later in the claim, too much time had passed between its re-review and the initial inspections by the plumber and electrician.

Given the plumbing and electrics checks had been completed around Autumn 2023, any conversation about the scope of the claim should've been discussed then. HDI's lack of proactive management of the claim prevented these issues from being agreed at the time. I also note HDI's own claims handling team, including J, the surveyor dealing with the claim at the time, suggested paying these costs is a fair course of action.

I don't think HDI acted reasonably by failing to consider these costs when presented. Instead, the evidence supporting these costs was ignored, and HDI maintained its position to reject these costs as late in the claim as April 2024 when a final response letter was issued. If HDI had engaged with Ms W sooner about the scope of these costs, and what it'd be willing to pay and why, a more meaningful discussion could've been had between the experts, Ms W and HDI. This opportunity was missed.

I haven't seen any persuasive evidence from the time of the plumber's report and electrician's inspection to say that the damage claimed for isn't incident related. HDI's own appointed experts have also suggested these costs should be paid, and these opinions were shared around the time of the plumber and electrician attending. For these reasons I'm minded to ask HDI to pay the full cost of repairs for plumbing and electrical work, as put forward by Ms W in the invoices sent to HDI.

Contract of variation

I can understand why it was important to put forward a contract of variation in August 2023. The property had been sitting vacant since the escape of water incident in December 2022. It'd be reasonable to expect that there might be additional damage that hadn't been apparent at the time of the initial inspection.

As with any insurance claim we'd expect an insurer to carefully consider and interrogate all the evidence provided on a claim. We'd expect an insurer to review any incident related damage, and explain its reasons for saying it's inside or outside of the scope of a claim.

I note Ms W's comments about HDI's challenge on the contract of variation being unfair. Ms W says HDI's position has been largely influenced by its appointed surveyor, J, who hadn't visited the property since January 2023. Ms W also says B's comments aren't credible as B

was asked to only consider variations and instead reassessed the whole claim. Ms W feels strongly that B has undervalued the claim without good reason. HDI's position is largely that the additional costs claimed are not incident related and therefore should not be included in the schedule of work to be paid for by HDI.

I've considered carefully Ms W's (and her appointed experts) opinion on the additional damage caused to the areas claimed for, and the quotes provided for repair. I note Ms W's strength in feeling about the delays on the claim causing additional damage to these areas in her home. But all things considered, I'm minded to say HDI has acted fairly and reasonably in its decision to decline paying for any costs under the variation to the schedule of work. In reaching this decision, and it's a very finely balance one, I've considered the actions taken by HDI when presented with the contract of variation for review.

HDI initially instructed its surveyor, J, to provide comments on Ms W's proposed variation to the schedule of work. I accept Ms W's point about J not inspecting Ms W's property at the time of commenting on the validity of these costs. Whilst I accept J hadn't visited Ms W's property in August 2023, given J's role and qualifications, I'm satisfied J was well placed to provide opinion on the variations, and importantly, whether the loss claimed was likely caused by the escape of water incident.

It's not disputed that J highlighted concerns with the variations submitted by Ms W. Following Ms W's concerns about the appointment of J, and opinion on her claim, HDI instructed an independent expert to review the variations sent by Ms W.

I recognise Ms W's point about B considering the whole claim instead of the specific additional costs. But I don't think this discredits B's findings and rationale on the additional costs. Ms W was in strong disagreement with J's handling of, and opinion on, her claim. HDI's decision to instruct an independent third-party expert was both reasonable and in line with what we'd expect in the circumstances.

After completing a site inspection, B also raised compelling arguments against the scope of additional costs put forward. As part of its assessment of these costs, B instructed an independent third-party furniture specialist to advise on some of the damage being claimed for. This was specifically to identify the quality and specification of the existing units and materials in Ms W's home. B provided extensive descriptions and photos to help the furniture specialist identify what was in place in Ms W's home, and specifically, how this compared to the additional costings put forward in the variation to the schedule of work.

At the time of informing Ms W that it wouldn't be paying for any of the additional costings, HDI had received a combination of opinions, assessments, and reports from three experts instructed on the claim. This includes a surveyor, independent engineer (B), and furniture specialist. All three experts had raised the same concerns about the scope of work, and costings, put forward by Ms W.

Given the consistent and compelling evidence from three different experts on the claim, I think it was fair and reasonable for HDI to rely on this evidence to inform its decision on Ms W's claim. On balance, I'm minded to say it was reasonable for HDI to decline payment for the variations submitted.

I recognise the disappointment my provisional decision will bring to Ms W. And I agree with what Ms W has explained about HDI's poor handling of her claim for large parts of it. I've explained more about HDI's poor claim handling later in this decision. But when considering Ms W's specific complaint about the variations to the schedule of work not being accepted by HDI, I'm minded to say HDI's actions have been reasonable.

That's not to say Ms W hasn't experienced upset and distress by HDI's poor management of her claim. Because I recognise and accept HDI didn't do a good job of handling Ms W's claim as well as it could've, and Ms W was often let down by timeframes that were rarely met, and continual delays on her claim.

But ultimately, we'd expect an insurer to reasonably question and review all costs submitted on a claim. HDI sought opinion from several experts before informing Ms W that the additional costings wouldn't be covered. Without going into the detail of what those experts found, what is apparent is that they all agreed the additional work being claimed was either unlikely to be incident related, or had already been accounted for generously in the original schedule of work. Given HDI's decision to decline the additional costings was informed by three separate experts, I'm minded not to ask HDI to pay any additional costs.

Claim handling

The scope of my decision when considering HDI's claim handling has considered its service from the date of HDI's final response letter in October 2023, to its final response letter issued in August 2024.

In August 2024 HDI awarded Ms W £500 for the impact of its poor claim handling. I've considered events from the period October 2023 to August 2024. And I'm minded to say £500 is broadly reasonable, and in line with what this Service would direct in the circumstances. I'll explain why.

I've seen that following the appointment of B around October 2023, a site visit was arranged. This resulted in B providing a report rejecting most of the variations submitted. I think Ms W's frustrations with HDI's service for the period October 2023 to August 2024 largely concern its decision to reject costs put forward for her claim in the variation to the schedule. In my provisional decision I've explained how I'm minded to say HDI's actions in appointing B, and using this to inform its decision on the claim, were reasonable. I've considered this when deciding what fair and reasonable compensation should look like.

But I do think HDI caused unnecessary upset and delay in failing to review the evidence for the plumbing and electricity costs sooner in the claims process. I don't think HDI acted fairly by rejecting this part of Ms W's claim outright. It wasn't until several months later that HDI explained its rationale for contributing towards, instead of paying in full, the cost of repairs for the plumbing and electrical work. This amounts to poor claim handling.

I've also seen that Ms W continued to chase HDI for payment towards alternative accommodation, including rental fees, council tax, and other associated costs. I'm persuaded this would've caused Ms W undue upset and frustration at a time that she was already distressed with the delays in dealing with her claim.

I've also seen that after agreeing building repair costs of £181,659.08 in April 2024, this amount wasn't paid to Ms W until three months later in July 2024. And this was following repeated calls and contacts from Ms W to different call handling representatives within HDI.

I'm persuaded this experience would've added to Ms W's frustrations with HDI, and difficult claims journey. HDI was aware of the distress caused early in the claim, for similar reasons relating to delay and lack of clear communication. The fact that this continued throughout the claim, despite earlier complaints from Ms W on the same issues, is disappointing.

I'm mindful that claims of this size and complexity can cause upset and frustration, even when things go as they should. But it's evident HDI's service has been poor for large parts of the claim. It could've communicated better, shown more proactive management of the claim,

and acted more expediently in reaching decisions on the claim. These failings have all led to undue upset and inconvenience being caused to Ms W over a prolonged period.

My provisional decision is concerned with events from October 2023 and August 2024. All things considered I'm persuaded £500 compensation is in line with we'd direct in the circumstances. The compensation already offered fairly recognises the impact on Ms W by what went wrong with the handling of the claim, but also that the outcome of the claim remains largely unchanged.

Putting things right

For the reasons set out above, I intend to uphold this complaint. I intend asking HDI Global Specialty SE to:

1. Pay the cost of repairs for plumbing and electrical work, as put forward by Ms W in the invoices sent to HDI. That is £27,567.07 (including VAT) for plumbing costs, and £26,824.90 (including VAT) for electrical costs. HDI can deduct any payments already made towards these costs; and
2. Pay interest on the payment made for (1). The interest should be calculated from the date Ms W made payment (subject to Ms W providing evidence of this), to the date of payment. The rate of interest is 8% simple interest per year*

*If HDI Global Specialty SE considers that it is required by HM Revenue & Customs to take off income tax from that interest, it should tell Ms W how much it has taken off. It should also give Ms W a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My provisional decision

I am minded to ask HDI Global Specialty SE to settle Ms W's complaint as detailed above.

The responses to my provisional decision

I invited both Ms W and HDI to respond to my provisional decision. HDI provided additional comments on the direction for putting things right. Ms W provided extensive comments in response to the provisional decision, asking this Service to reconsider the direction to HDI.

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.

In response to my provisional Ms W has provided substantial comments and evidence supporting her position on the claim, and why HDI needs to do more to put things right. I've carefully considered the points raised by Ms W. I've focused my comments on what I think is relevant. If I haven't commented on any specific point it's because I don't believe it has affected what I think is the right outcome.

Firstly, I want to recognise the impact the claim has had on Ms W. I don't doubt the distress and inconvenience the escape of water has caused her. As HDI hasn't paid the amount Ms W was expecting would be covered, I can understand why she feels she hasn't been treated fairly.

But for me to say HDI should do something differently, for example increase the settlement offer or pay Ms W further compensation, I would first need to be satisfied HDI has done something wrong, which hasn't already been addressed in the provisional decision. I've thought about what I feel is the crux of Ms W's complaint, which centres around what work she feels is required to repair her home to its pre-loss condition. I want to make it clear I don't intend to speculate on what work I think should've been completed, as I don't have the expertise to make this judgement.

Instead, I've thought about the reports and comments provided by HDI's appointed agents, alongside the testimonies provided by Ms W and the contractors she has discussed her claim with. I've used this evidence to determine whether HDI has acted fairly and reasonably in its handling of Ms W's claim- specifically how much it has agreed in settlement of the claim. And having done so, I'm persuaded more likely than not, that my direction for putting things right recognises where HDI could've provided a better service. And so I won't be directing it to do anything more than what my provisional decision has already determined.

Ms W has provided ample examples of damage that has exceeded the original scope of the claim, and should be covered by HDI. I don't intend on repeating all of those examples here. It's evident, and accepted, that Ms W is strongly in disagreement with the scope of cover HDI has agreed to cover for her claim.

The provisional decision explained that whilst I recognise Ms W's strength in feeling, I must consider the evidence overall in determining whether HDI needs to do more to put things right. And in respect of the additional damage Ms W has referenced, I'm satisfied HDI has taken reasonable steps to investigate this damage, and assess whether it's claim related. I'm satisfied HDI has done enough to investigate the claim. So I won't be asking it to revisit any parts of the claim, or make any further payments for the additional damage (other than what has been explained in my provisional decision).

HDI has sought clarification of the 8% interest recommendation- asking whether this applies to the additional costs of £15,067.07, or to include the payment of £39,324.90 that it has already made. A direction for interest is to recognise the time Ms W has been without the money owed. That is money that she has had to pay for herself which HDI ought reasonably to have covered at the time.

In this case HDI is directed to pay interest only on the difference between what it has already paid, and what it should've paid at the time. Ms W will need to provide evidence of any payments made (that is £27,567.07 including VAT for plumbing costs, and £26,824.90 including VAT for electrical costs), so that HDI can calculate the difference between this amount and what it has already paid, and pay this difference plus interest.

I've carefully considered Ms W's and HDI's submissions. But I don't think these comments materially change the outcome of Ms W's complaint, or my direction for putting things right. So I'll be directing HDI to put things right as set out in my provisional decision.

Putting things right

For the reasons set out above, I uphold this complaint. HDI Global Specialty SE is directed to:

1. Pay the cost of repairs for plumbing and electrical work, as put forward by Ms W in the invoices sent to HDI. That is £27,567.07 (including VAT) for plumbing costs, and £26,824.90 (including VAT) for electrical costs. HDI can deduct any payments already made towards these costs; and

2. Pay interest on the payment made for (1). The interest should be calculated from the date Ms W made payment (subject to Ms W providing evidence of this), to the date of payment. The rate of interest is 8% simple interest per year*

*If HDI Global Specialty SE considers that it is required by HM Revenue & Customs to take off income tax from that interest, it should tell Ms W how much it has taken off. It should also give Ms W a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons provided I uphold this complaint.

HDI Global Specialty SE is directed to follow my directions for putting things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 2 May 2025.

Neeta Karelia
Ombudsman