

## **The complaint**

Mr C and Mrs J complain about delays and the amount Royal & Sun Alliance Insurance Limited ("RSA") agreed to pay after they made a claim on their buildings insurance policy.

## **What happened**

In December 2022 there was an escape of water in a home Mr C and Mrs J owned. Mr C and Mrs J were on holiday at the time and were informed about what had happened by a friend they'd asked to check up on the house. It was later found the leak had originated from a loose connection to a cold water supply in the loft.

The escape of water was contained by switching off the water supply. But it had already flooded the ground floor and caused widespread damage to the flooring, ceilings, walls, doors, electrics and wiring. RSA decided to appoint a loss adjuster after the claim was reported.

By the end of January 2023, an inspection still hadn't been booked, and Mr C and Mrs J contacted RSA several times to chase this. At the time, Mr C and Mrs J weren't living in the home which had suffered the water damage. They'd originally planned to move there in January 2023, but due to the circumstances they continued to reside in their old home, which hadn't yet been sold.

Over the following months, RSA investigated the claim and it wrote to Mr C and Mrs J in July 2023 to say it had completed a schedule of works which totalled £64,470.98. But, since this figure included a provision for drying, which had already been done, and the cost of replacing carpets, which wasn't covered under the building policy, RSA excluded those costs resulting in a settlement of £50,000 which would be paid to Mr C and Mrs J. RSA also said it would pay up to a further £10,000 to meet the cost of VAT on receipt of valid paid VAT invoices.

Mr C and Mrs J disputed the settlement offer and made a complaint about both the cash settlement amount and delays on the claim.

RSA provided a final response in September 2023. In summary, it said:

- There had been poor communication during the claim, and several delays it had caused. It agreed to pay £500 compensation for the distress and inconvenience this caused.
- It had reassessed the claim and had considered the items Mr C and Mrs J said were missing from the schedule of work. Although there were several specific items it wouldn't include in the settlement, which its surveyor had informed Mr C and Mrs J about, it agreed to increase its settlement offer to £116,845.99.

Our investigator didn't think RSA's response to the complaint was unfair. He thought RSA had based its cash settlement on a scope of works which included all the damage caused by

the escape of water. He thought there had been some poor service, including delays and a lack of communication at times, but he found the £500 RSA had offered was reasonable.

Because Mr C and Mrs J didn't agree, the complaint was referred to me to decide. I issued a provisional decision upholding the complaint, and I said:

*"I should start by saying while I've read and considered everything Mr C and Mrs J and RSA have provided, I won't be commenting on every point made. I'll instead concentrate on what I consider are the key points I need to think about for me to reach a fair and reasonable decision. This isn't meant as a discourtesy to either party, but instead reflects the informal nature of this Service.*

*I'll also only be considering the events up to when RSA provided its final response on 29 September 2023. If Mr C and Mrs J are dissatisfied with anything which has happened after then, they'll first need to take it up directly with RSA as a new complaint.*

*I've begun by looking at the policy terms. These say that at its option, RSA will settle a buildings claim either by paying for the cost of repair or for the cost of replacement. RSA said that it could have carried out the repairs itself, but Mr C and Mrs J preferred a cash settlement.*

*This raises the question of whether RSA chose to settle the claim by paying a cash settlement without offering any alternative, or whether Mr C and Mrs J chose a cash settlement despite RSA having offered to carry out the repairs itself.*

*This is important because the cost to an insurer and the cost to a consumer for the same repairs can be different. So, it's generally good industry practice that if an insurer only offers to settle a claim by paying cash, the amount should reflect how much the repairs would cost the consumer, rather than the insurer. This is to ensure the consumer doesn't lose out. However, if an insurer has offered to carry out the repairs, but a consumer insists on a cash settlement instead, we'll usually say it's reasonable for the insurer to pay a cash settlement based on what it would have cost the insurer to carry out the repairs.*

*RSA has provided part of an email showing Mr C and Mrs J asked for a cash settlement. But I haven't seen anything showing they were ever offered an alternative and requested a cash settlement regardless. So, I think it would be unfair if RSA had made any deduction from the cash settlement amount based solely on like for like repairs costing RSA less than they'd cost Mr C and Mrs J.*

*RSA has provided a full breakdown from its loss adjuster showing how it estimated the total repair cost at £116,845.99. This report includes individually itemised estimates for various aspects of the repairs sub-divided into different rooms of the house.*

*Mr C and Mrs J say RSA's offer wasn't enough and the repairs would cost £140,800. They've provided the following reasons why they don't think RSA's offer was sufficient:*

- *RSA's estimate omits preliminary expenses such as water, electricity, skip hire, waste disposal and materials transport.*
- *RSA hasn't included the cost of replacing damaged laminate on the ground floor and fitted cupboards in four bedrooms, a toilet, the ground floor kitchen, dining room and two reception rooms.*

*Mr C and Mrs J appointed their own surveyor who provided a scope of works dated 19 May 2023. Whilst this report provides an overview of what repairs are needed, it doesn't*

contain any values for what the repairs would cost. A spreadsheet has also been provided by

Mr C and Mrs J which sets out the total costs estimated costs for removal and reinstatement work on each room. Mr C said this spreadsheet was produced with the help of his builder, and he also asked a few others to get an idea of the costs.

I'm more persuaded by the evidence RSA has provided to show how much the repairs would cost. I say this because RSA has provided a detailed report from a loss adjuster containing specific estimates for over 350 individual parts of the total required repairs. Whereas Mr C and Mrs J have only provided a schedule a works which has no values on in, and a spreadsheet which only has broad values for each room, and was, to my understanding, self-produced based on comments from a builder.

As I said earlier, I would expect RSA to pay Mr C and Mrs J what it would cost them for the repair, not what it would cost RSA. And I think RSA's estimate likely shows the cost for RSA to carry out the work. But I could only reasonably find RSA's repair estimate wouldn't cover the cost Mr C and Mrs J would need to pay for the same repair if they had provided enough evidence to show this, such as fully itemised like for like estimates from several different builders. Because I haven't been provided with evidence like that, I'm unable to find RSA's settlement offer wouldn't be enough to cover what it would cost Mr C and Mrs J for the repairs.

Mr C and Mrs J's spreadsheet included a value of £12,800 labelled as 'Project Management Fees', calculated at 10% of their estimate of £128,000 for the repair work. They say this is for costs such as skip hire, electricity, and waste disposal. I don't dispute there could be additional costs such as these for a repair of this size. But Mr C and Mrs J haven't provided any itemised quotes from builders which give a breakdown demonstrating these costs, or that these costs would be charged to Mr C and Mrs J, rather than absorbed by the builder within the overall repair costs.

Mr C and Mrs J say RSA didn't include the cost of replacing a laminate floor in the ground floor reception. RSA says it didn't observe floor coverings when it inspected the house, but it would amend the scope if Mr C and Mrs J could provide evidence to show otherwise. Mr C has provided a copy of an email he sent to RSA's loss adjuster in September 2023 which includes a photo which I think supports Mr C's comment that there was laminate flooring in the ground floor reception. So, I think RSA should revise its schedule of works to include this.

Mr C and Mrs J also said the schedule of works didn't include fitting cupboards which had been damaged in several rooms. RSA said when it inspected the property there was no evidence of fitted wardrobes and photographs from a property website taken in October 2022 showed no fitted wardrobes/cupboards other than in the first floor front right bedroom and first floor rear right bedroom.

RSA agreed to amend the schedule of works to include fitted wardrobes/cupboards for those two rooms, and advised it could amend further if Mr C and Mrs J provided evidence showing they were in any other rooms. Other than Mr C's comments, I've seen nothing more, such as photos, to show fitted wardrobes/cupboards were present in the other rooms. So, I don't think it's unreasonable for RSA to only cover these for two of the bedrooms.

Aside from the laminate flooring in the ground reception, I don't think RSA's cash settlement offer was unfair. So, I only intend to require RSA to revise its settlement to include the laminate flooring in the ground floor reception, and if it hasn't done so already, revise the settlement to include the fitted wardrobes/cupboards in the first floor front right bedroom and first floor rear right bedroom.

*RSA didn't dispute there were delays in dealing with the claim. I've considered if the £500 compensation it agreed to was fair and reasonable.*

*I should explain we're not a regulator and we don't have powers to fine or punish a business when something has gone wrong. Mr C and Mrs J inevitably would have been caused some distress and inconvenience from the damage caused to their house, and the work needed to put it right. And I can't hold RSA responsible for the unavoidable disruption which would have arisen from the loss. However, RSA ought to have dealt with the claim in a fair way and I can award compensation if it hasn't done so and had avoidably caused distress and inconvenience to Mr C and Mrs J.*

*Looking at the timeline of events, there were several delays which RSA acknowledged including the delay in appointing a loss adjuster, validating the claim (due to utility bills not being shared by the loss adjuster with RSA for two weeks) and a delay contacting Mr C and Mrs J with a settlement proposal after RSA had received its surveyors report.*

*But I think a further delay was caused by RSA initially undervaluing the claim settlement. The initial settlement of £50,000 was offered on 28 June 2023 and it took three more months for RSA to issue its revised cash settlement. Since the revised settlement was a significant increase, I think it's likely the delay caused by reassessing the schedule of works could have been avoided had the initial schedule of works included everything which it ought to have.*

*I've considered the impact of these delays to Mr C and Mrs J. Mr C says that the delays caused him to incur £50,000 because he was unable to occupy the home and had to continue paying bills for his old home and new home.*

*At the time of the loss Mr C and Mrs J were still living in their old home, which they hadn't yet sold. And before the incident happened, were intending to move into the new home in January 2023. The incident changed their plans, so they continued to live in their old home.*

*So, I think the escape of water was the main reason why Mr C and Mrs J ended up paying costs for two houses - since that's why they decided stay in their old home, and that would have happened for a time regardless of whether there'd been any delays from RSA in dealing with the claim.*

*I could only reasonably find RSA had caused Mr C and Mrs J avoidable financial losses by paying for two homes if I was satisfied there was evidence to show Mr C and Mrs J likely would have sold or let their old home at an earlier stage. But I don't think evidence has been provided to show that. So, I won't asking RSA to reimburse Mr C and Mrs J the costs they paid for both of their homes.*

*I think the delays on the claim have caused some distress and inconvenience. And I acknowledge here that Mr C has a health problem, which I think would have made dealing with the claim more stressful for him.*

*But, bearing in mind Mr C and Mrs J weren't living in the house which had the escape of water and were still living in their old home, I don't think the matter has impacted their day to day lives to the same extent as it would have had they been living in the affected home. Primarily, I think the impact is the distress of not being able to move into their new home sooner, and having to deal with the claim for longer than was necessary, including having to dispute the initial settlement RSA offered.*

*Regardless, though, I think the claim has taken a long time for RSA to deal with considering that it hasn't carried out any repairs and has only dried the property and assessed the*

*damage to produce a schedule of works. And there have been several delays which RSA has acknowledged, and the delay caused by not offering a reasonable amount when it offered the first cash settlement, which I don't think RSA acknowledged.*

*So, I think some additional compensation is warranted, and I think £250 would be a fair and reasonable amount."*

RSA replied to say it had already agreed to replace the fitted cupboards I said it should cover and it asked if Mr C had provided evidence to show laminate flooring should be considered. Mr C replied disagreeing with my provisional decision. In summary, he said:

- There were significant delays on the claim from RSA.
- There were also financial losses in the region of £50,000 he was caused because of how RSA dealt with the claim.
- There were numerous damaged items RSA had omitted from the claim.
- The settlement amount offered is insufficient for the cost of the work.

### **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've considered RSA and Mr C's responses to my provisional decision and I've reached a different conclusion in part to my provisional decision. I'll explain why.

With regards to the delays on the claim, I said in my provisional decision I could only consider the events up to RSA's final response of 29 September 2023. And having considered Mr C's comments, my understanding of the timeline of events from the notification of the claim up to this date hasn't changed.

I acknowledge Mr C is seeking substantially more than what I said RSA should pay in my provisional decision. But I don't think there's any new information which I hadn't already considered about either the extent of the avoidable delays on the claim, or the impact these delays had on Mr C and Mrs J

Mr C and Mrs J hadn't yet moved to the home which suffered the escape of water and continued living in their old home. So, I think the impact to them primarily was the upset of being delayed from moving into their new home, and the inconvenience of having to chase RSA and its loss adjuster to progress the claim. And I think £750 compensation is reasonable for the impact caused and in line with our award levels to reflect Mr C and Mrs P were affected over several months by ongoing delays with their claim.

Mr C also says he incurred financial losses due to having to pay for council tax and utilities in both his old home and the new home. I don't dispute Mr C and Mrs J would have had to pay these costs for both homes while the claim was ongoing, and I acknowledge Mr C has provided copies of bills. Mr C also says that he lost income due to being unable to let his old home.

But I've reached the same conclusion on this point as I did in my provisional decision. The reason Mr C and Mrs J couldn't move into their new home was due to it suffering from an escape of water. This caused significant damage, and because of this, even if there hadn't been any avoidable delays on the part of RSA, the claim would still likely have delayed

Mr C and Mrs J's move by several months while RSA investigated the claim, and while the damage was being repaired.

While I don't dispute there were avoidable delays on the part of RSA which may have delayed the claim being resolved, and consequently Mr C and Mrs J being able to move into the new home, I haven't seen anything more which makes me think it's likely the old home would, or could, likely have been let at an earlier point were it not for any avoidable delays RSA caused.

RSA said it had already agreed to include the fitted wardrobes in the in the first floor front right bedroom and first floor rear right bedroom. I acknowledged this in my provisional decision. I also said in my provisional decision that Mr C had provided evidence in the form of an email containing a photograph he sent to RSA's loss adjuster in September 2023 which showed the presence of laminate flooring in the ground floor reception.

Mr C has provided additional photos of items he says weren't included in the scope of works. These photos show:

- A fitted bookshelf in the right side reception room and a fitted bookshelf in the left side reception room.
- Cupboards in the dining room.
- A fitted bookshelf in the first floor right side rear bedroom.
- A fitted bookshelf in the first floor right side front bedroom.
- Fitted cupboards and bookshelf in the first floor left side front bedroom.
- Fitted cupboards and bookshelf in the first floor left side rear bedroom.

I provided copies of these photos to RSA and I asked it if it would agree to include these in its scope of work, or if it had any further comments.

RSA replied saying it wasn't minded to dispute the presence of the above items, but it referred to the amount of time which has passed since the final response for it to have seen this evidence saying it thinks it would now be unfair to consider this evidence.

Ultimately, the missing items from the scope of works formed part of Mr C and Mrs J's complaint. And a business providing a final response to a complaint does not prevent me from being able to consider new evidence which may become available, or which may be provided, about the same complaint after the date of the final response.

Based on the photos Mr C has provided, I'm satisfied he has provided reasonable evidence to show these items were present and damaged, or likely to have been damaged. So, I've decided RSA should include these items in the scope of works.

With regards to the flooring in the reception, RSA says it believes the photo provided by Mr C shows floorboards, rather than a laminate or wood floor covering. RSA says the report from its restoration company shows an image of the room in question which shows floorboards with no covering and a property website the house was listed on shows the majority of the ground floor rooms being carpeted. Additionally, RSA says earlier reports show there were no floor coverings in this room.

Referring to Mr C's original comments, he said the ground floor reception was floored with laminate. I've looked at the photos on the property website, but there doesn't appear to be a photo of this room present. The loss adjuster said if Mr C could provide evidence showing the presence of a wood flooring, it could amend the scope. Mr C replied to this on 17 September 2023 with two photos showing the floor in the ground reception. But it doesn't appear RSA took any further action on this at the time.

I've reviewed the restoration company report, and I can see this says a wooden flooring will need to be removed from a ground floor dining room - but doesn't specify whether this is floorboards, laminate, or wooden floor covering - and contains a photo of the dining room, which appears to show a floor type consistent with that provided on the photo by Mr C.

On balance, I think it's likely the ground floor reception had laminate flooring as claimed by Mr C. The photos taken after the loss show damaged carpet is still present in other rooms of the property, suggesting the original flooring would also still have been present in the ground floor reception. Additionally, in one photo of the reception, a fitted and damaged bookshelf is visible, and ceiling plaster can be seen on the floor, which all appear undisturbed following the incident. This likely all would have needed to be removed had there been any alteration to the flooring after the escape of water.

I've considered Mr C's comments about the additional £12,800 project management fees he is seeking from RSA. Mr C has broken some of these costs down and provided estimates such as £2,241 for gas and electricity, £400 for water and £1518 to hire a skip.

But I wouldn't ordinarily expect the cost of utilities to be included since these are costs which the home owner would have to pay regardless. And while I don't dispute there may be other overheads involved in the repair work, such as the cost of hiring a skip, Mr C and Mrs J haven't provided any itemised estimates or invoices showing the total cost of the work. RSA provided a highly detailed estimate showing it would cost it £116,845.99 to complete the repairs. And, without a clear, itemised breakdown, preferably from more than one builder, I don't think there's enough to show the total cost to Mr C and Mrs J for them to carry out the work exceeded the settlement RSA offered based on its estimate for the repair work.

Lastly, I acknowledge Mr C questioned why RSA included £500 as a complaint payment in the breakdown it provided him of the costs it had paid on the claim. But I haven't seen anything showing RSA 'charged' Mr C and Mrs J this amount, such as by deducting it from their settlement.

So, I think it was included in the claim costs breakdown RSA provided to Mr C and Mrs J as it was one of the costs which RSA had incurred, along with its settlement payment on the claim, adjuster fees and other costs, which I don't think is unreasonable.

### **Putting things right**

If it hasn't done so already, I require RSA to pay Mr C and Mrs J the £500 compensation it offered in its final response. RSA should also pay a further £250 compensation for the distress and inconvenience caused by the delays on the claim.

In addition to this, I require RSA to revise the claim settlement to include the following:

- The laminate flooring in the ground floor reception.
- The fitted wardrobes/cupboards in the first floor front right bedroom and first floor rear right bedroom.

- The fitted bookshelf in the right side reception room and fitted bookshelf in the left side reception room.
- The cupboards in the dining room.
- The fitted bookshelf in the first floor right side rear bedroom.
- The fitted bookshelf in the first floor right side front bedroom.
- The fitted cupboards and bookshelf in the first floor left side front bedroom.
- The fitted cupboards and bookshelf in the first floor left side rear bedroom.

### **My final decision**

My final decision is that I uphold this complaint and I require Royal & Sun Alliance Insurance Limited to carry out what I've set out in the 'Putting things right' section of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs J to accept or reject my decision before 13 May 2025.

Daniel Tinkler  
**Ombudsman**