

The complaint

Mr and Mrs F complain about the settlement of their buildings insurance claim (alternative accommodation/costs) by Covea Insurance Plc.

Some of Mr and Mrs F's dissatisfaction relates the actions of Covea's agents. As Covea have accepted responsibility for the actions of their appointed agents, any reference to Covea in my decision should be interpreted as covering the actions of their appointed agents.

What happened

The background to this complaint is well known to Mr and Mrs F and Covea. In my decision I won't repeat in detail what's already known to both parties, instead I'll focus mainly on giving the reasons for reaching the outcome that I have.

In 2020, Mr and Mrs F made a claim on their buildings insurance policy following a flood at their property. Covea accepted the claim and repair work began. Mr and Mrs F made a complaint about Covea's response to the claim and later referred that complaint to our Service. An Ombudsman considered that complaint and issued a final decision.

Mr and Mrs F then made a further complaint about the alternative accommodation part of their claim. They said they've incurred costs and losses because of the actions of Covea – which they estimated to total around £147,000. Unhappy with Covea's response, Mr and Mrs F referred their complaint to our Service for an independent review. Our Investigator considered the complaint and recommended that it be partially upheld. Mr and Mrs F remained unhappy, and the complaint has been referred to me for a final decision.

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.

Our Service is an alternative, informal dispute resolution service. Although I may not address every point raised as part of this complaint - I have considered them. This isn't intended as a discourtesy to either party – it simply reflects the informal nature of our Service.

I'm very sorry to hear of the flood event and the impact this has had on Mr and Mrs F and their family – across several years. It's particularly unfortunate that the loss event occurred a very short time after Mr and Mrs F acquired the property.

The scope of my decision

I can't revisit any part of the complaint previously considered by our Service or another Ombudsman. This decision will concentrate only on whether Covea have fairly considered Mr and Mrs F's claim for alternative accommodation and associated costs. Our Service previously considered delays up until 6 June 2023, so I can only consider delays during the period 6 June 2023 until 31 August 2023. This is the date the insured works were finished.

Both the insured works (carried out under the contract of insurance following the claim) and uninsured works (additional works Mr and Mrs F decided to carry out) took place following the flood. For fairness, Covea would only be expected to consider alternative accommodation or other costs incurred whilst *insured works* were ongoing. Based on the evidence I've seen, the insured works primarily took place from the end of July 2021 until the end of August 2023.

Mr and Mrs F have referred to hypothetical scenarios – such as loss of rent, sale opportunity etc. I will only consider these losses where they have either occurred, or there is clear and persuasive evidence it's more likely than not the actions of Covea deprived them of that opportunity, or Covea are responsible for a consequential loss.

My key findings

Mr and Mrs acquired the insured property as a replacement for their main residence. When the flood occurred and repair works needed to be carried out, they stayed at their main residence. They say in normal circumstances, Covea would've been required to provide alternative accommodation and the cost of such accommodation would've been in the region of £36,000 - £42,000 per year. Fortunately, Mr and Mrs F had their original property to live in. But this doesn't automatically mean Covea doesn't need to further consider their claimed for costs. I'll return to this point later in my decision.

Generally, an AA benefit (if provided under a policy) will only be applicable when a property is deemed uninhabitable. A property is generally uninhabitable when there is no heating, water, toilet, washing facilities or facilities to prepare food etc. It's important to make a distinction between a property being less comfortable than Mr and Mrs F would've liked or been used to and considered habitable or safe to live in. Based on what I've seen, the property was uninhabitable from the end of July 2021 until the end of August 2023.

I've carefully considered what Mr and Mrs F have said about loss of rent. But it's clear that neither their insured property, or the original property they stayed in had arrangements in place to be rented out. Therefore, I don't consider that they've incurred any loss of rent at either property arising out of any failings by Covea.

I say this because it's clear that Mr and Mrs F had planned renovation works on the insured property prior to the loss incident. I consider that 'but for' the flood event, they'd have still been able to live in the insured property – because the property would've still been habitable. This means Covea can't rely on the defence that Mr and Mrs F wouldn't have been able to live in the property irrespective of the flood. I'm also not persuaded by Covea's argument that Mr and Mrs F had no intention of moving into the insured property until April 2024.

As referenced above, Mr and Mrs F's actions (staying in another property they owned) saved Covea a large amount of money – as AA wasn't required. It also meant that Mr and Mrs F incurred costs they otherwise likely wouldn't have – on both properties. I've carefully considered evidence provided by Mr and Mrs F of various property running costs including (but not limited to) utility bills, council tax etc. It stands to reason that by choosing to remain in their original property rather than ask for Covea to arrange AA, they'll have incurred many duplicate costs that they otherwise wouldn't have – and prevented these costs arising at any AA Covea would've arranged under the policy.

I've carefully considered the points raised by Mr and Mrs F after our Investigator's assessment. Mr and Mrs F have said they incurred garden maintenance costs of around £15,000 whilst staying at their original property, property insurance at both properties and borrowing costs of around £20,000 at the insured property. They say that these costs arose

because of mismanagement of the claim and inaction. But I'm not persuaded by that argument and in any case, how Covea dealt with the overall claim won't be revisited in this decision. Even in a scenario where Mr and Mrs F had moved into AA and let their original property out, the garden maintenance costs as a landlord would've arisen regardless. Similarly, as responsible property owners, the cost of property insurance at both properties would've still needed to have been met by Mr and Mrs F – even if they were in AA. And any borrowing on the insured property was a legal obligation Mr and Mrs F had to meet, regardless of whether they were in the property or not.

Mr and Mrs F have also said:

“They were aware of the need for alternative accommodation back in July 2021 which gave them plenty of time to mitigate them. On my part I had no choice but to put up with the situation as there was an absence of dialogue with Covea who failed to engage with me.”

Whilst the communication from Covea could've been much better, a reasonable level of responsibility also lay with Mr and Mrs F to both mitigate their costs and communicate with Covea. Based on the available evidence, it's clear there were discussions about AA for Mr and Mrs F's son in June and July 2021, but I can't see that any further meaningful communication about this took place afterwards until various complaints were raised. I don't find it unreasonable that Covea didn't proactively raise the issue after July 2021 with Mr and Mrs F and (presumably) fairly assumed AA wasn't needed.

A final decision is the end of our process and involvement in this dispute between Mr and Mrs F and Covea. As there is a large gap between what Mr and Mrs F wanted and what I'm directing Covea to do, Mr and Mrs F should carefully think about whether they wish to accept the final decision or not: <https://www.financial-ombudsman.org.uk/who-we-are/make-decisions>

*“The ombudsman will issue their final decision to both parties in writing. You will then be asked to confirm by a specified date whether you accept or reject it. If you accept the ombudsman's final decision in the specified timeframe, the business has to do what the ombudsman has told them to do – it will be binding on the business. This might, for example, include making the business pay you compensation. And, **if you accept the final decision, it is unlikely you will be able to pursue the business in court for the same complaint.**”*

Putting things right

Covea Insurance plc will need to:

- Communicate with Mr and Mrs F to consider and calculate the electricity and water costs they incurred at the insured property whilst works (taking place under the insurance policy) were being carried out. Covea will then need to make a contribution towards these costs.

It's clear there was some cross over between insured and non-insured works. Covea will need to agree a fair contribution towards the electricity and water costs. Our Investigator recommended that the contribution should be no less than 50% - and I find that to be a good starting point.

- Reimburse Mr and Mrs F (subject to provision of reasonable proof) for their reasonable costs incurred at their original property whilst insured works were taking place (30 July 2021 until 31 August 2023) at the insured property. This is because

'but for' Mr and Mrs F choosing to stay in that property, Covea would've incurred similar costs at any AA. The costs I'm referring to (in addition to the water and electricity costs) are *any reasonable costs* including council tax and septic tank costs at the original property. As outlined above, this doesn't include gardening and insurance costs.

- Covea will need to add 8% simple interest per annum* on any settlement, to be calculated from the date Mr and Mrs F incurred the outlay (paid any costs due) until the date any settlement is paid to Mr and Mrs F.

*If Covea considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs F how much it's taken off. It should also give them a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs, if appropriate.

My final decision

My final decision is that I partially uphold this complaint.

Subject to Mr and Mrs F accepting my decision before the deadline set below, Covea Insurance plc will need to follow my direction as set out under the heading '*Putting things right*'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs F to accept or reject my decision before 3 September 2025.

Daniel O'Shea
Ombudsman