

The complaint

Miss L complained that U K Insurance Limited (“UKI”) treated her unfairly in the options it provided for replacing her damaged carpet, under her home contents insurance policy.

What happened

Miss L’s carpet was damaged due to an escape of water in her home. She made a claim to UKI, which it accepted. It offered to replace the carpet like-for-like using its nominated supplier. Alternatively, it offered a voucher or a settlement payment. Miss L said the settlement payment was far less than it would cost her to have the carpet replaced. In addition, she said the retailer for the voucher she was offered went into administration whilst she was disputing UKI’s handling of her claim.

Miss L obtained a quote from a carpet retailer and said UKI should pay this to settle her claim. She said she wasn’t comfortable using UKI’s contractor and its settlement offer was unfair as it didn’t allow her to obtain a replacement herself. UKI didn’t change what it had offered so Miss L complained.

In its final complaint response UKI said it offered to replace Miss L’s carpet like-for-like or to cash settle her claim for £4,562.23. It said this is what its supplier would have charged to do the work. UKI said this is what its policy terms provide for in these circumstances. UKI asked Miss L to confirm how she wanted to proceed. But it didn’t agree to pay the amount she had asked for as a settlement payment, which was £9,000.

Miss L didn’t think UKI had treated her fairly and referred the matter to our service. Our investigator didn’t uphold her complaint. She thought UKI had acted fairly and offered what it was required to do under its policy terms. She didn’t think there was evidence that showed UKI’s contractors displayed unacceptable behaviour or an unreasonable approach to replacing the carpet. So, she didn’t think UKI needed to do anything differently.

Miss L didn’t accept our investigator’s findings and asked for an ombudsman to consider her complaint.

It has been passed to me to decide.

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.

Having done so I’m not upholding Miss L’s complaint. I’m sorry to disappoint her but I’ll explain why I think my decision is fair.

Miss L’s policy terms and conditions say:

“How we settle claims

For any item of contents that is lost or damaged we will choose whether to: • replace or repair the item or part • pay the cost of replacing or repairing the item or part, up to the amount it would have cost to replace or repair using our own suppliers, or • make a cash payment. We won't pay more than the amount it would have cost us to replace or repair using our own suppliers. If appropriate parts or replacement items are not available, we will pay the full cost of the item, provided the sum insured is adequate."

I think these terms are clearly worded. The policy cover entitles Miss L to have her carpet replaced or a payment equal to what it would cost UKI to install a replacement.

Miss L has provided quotes she obtained from several carpet retailers. The retailer she wanted to use quoted £8,500 plus £500 fitting. I've seen confirmation from UKI's contractor that it would charge £4,562.23 to fit a like-for-like carpet. Based on this information UKI dealt with Miss L's claim as it was required to do under its policy terms and conditions. It wasn't required to cash settle for more than £4,562.23 as it was able to arrange a replacement carpet.

I've thought about Miss L's comments that it's "*inconceivable*" that UKI's contractor can fit a like-for-like carpet for the price it quoted. But this is the price the contractor confirmed for supplying the carpet and fitting it. I haven't seen anything that makes me question the validity of this information. Insurers are able to pay lower costs for repair and replacement work than a consumer generally can, due to the agreements they have in place with their suppliers.

I understand that Miss L wanted to use her own choice of retailer and fitters, but where UKI has a supplier that can supply and fit a like-for-like carpet, it need only offer a cash settlement equal to the amount it would pay its supplier. If it wasn't able to provide a replacement, then the outcome would be different. It would then need to pay the full cost of the carpet, not the discounted price it's supplier charges. But this wasn't the case here.

I've thought about Miss L's comments that she didn't want to use UKI's contractor due to the attitude it displayed. I've read the emails and claim records provided. But I can't see that the contractor has displayed concerning behaviour or a poor attitude. I acknowledge Miss L preferred to source a replacement carpet and arrange the fitting herself. But in these circumstances her policy doesn't require UKI to pay more than £4,562.23 to settle her claim.

UKI offered a voucher for a high street carpet retailer as an alternative to the cash settlement. This was for just under £6,000. However, the retailer ceased trading whilst Miss L was in dispute with UKI over her claim. This meant the offer of a voucher was no longer available. Clearly it's unfortunate that the retailer ceased trading. But I can't see that the offer of a voucher is something that is required by Miss L's policy. So, although I can understand that this added to her frustration, I don't think UKI acted unreasonably.

Miss L comments on the high-quality of carpet she had in her home. She said there's a wide range of quality options with different levels of quality within the range UKI's contractor confirmed it would use. I can understand that Miss L wanted to ensure the replacement carpet was like-for-like with the damaged carpet. But UKI's contractor confirmed that it was able to source and replace the carpet with one that was like-for-like. It said the carpet included in the quote she provided was not of a higher quality than the carpet it intended using.

Having considered all of this I don't think UKI treated Miss L unfairly. It relied on its policy terms to either replace the carpet or pay a cash settlement equal to the cost of the replacement. Because of this I can't reasonably ask UKI to do anything differently.

Miss L can contact UKI to confirm how she wants to proceed with her claim given the options confirmed.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 25 July 2025.

Mike Waldron
Ombudsman