

The complaint

Mr D is unhappy with how long Liverpool Victoria Insurance Company Limited ("LV") took to deal with a buildings insurance claim after Mr D's property suffered an escape of water.

The complaint involves the actions of agents for whom LV is responsible. Unless specified, any reference to LV includes its agents.

What happened

In summary, in early December 2023, a pipe burst in the loft of Mr D's house. Water escaped and caused significant damage. Mr D and his family weren't living there. They'd rented somewhere else in September and were expecting to sell the house in late November. Unfortunately, this was pushed back to December, and then the leak happened.

Mr D contacted LV to make a claim. LV sent a loss adjuster to inspect the house in late December. The adjuster was concerned about the damage, the occupancy and the timeline of events. While LV was looking into this, over the Christmas period Mr D and his wife went back to the property to strip off the wet plasterwork. When LV found out, they told Mr D that he'd prejudiced their position by causing more damage and they couldn't confirm what was covered and what wasn't. LV escalated the claim to be investigated by a special team.

In early March, Mr D complained. He was unhappy with how long LV was taking and he didn't think its investigations were fair. He said he needed to have the repair work finished as soon as possible because his tenancy was due to expire in July. He asked LV for permission to resume the work or to provide temporary accommodation if it wasn't done in time. LV continued to investigate and went on to make a settlement offer in late April. As LV hadn't issued a final response to Mr D, he referred the matter to this Service in May. LV and Mr D continued to negotiate the settlement and a final higher amount was paid in July.

Our investigator looked into the complaint and thought it should be upheld. He said claims like this can take time, but he thought LV had carried out its enquiries one at a time and had taken too long. He asked LV to pay Mr D £350 for distress and inconvenience.

LV said it could have done some things sooner. But it thought the timeline and its concerns should be considered. Even so, it agreed to the compensation. Mr D didn't think £350 was enough to reflect the impact of what had happened. By this time, he'd also incurred rental costs in July and August as he didn't have time to finish the work. So, the matter was passed to me to make a decision.

I thought the complaint should be upheld. I issued a provisional decision. I said:

"My decision considers the way LV handled the claim up until Mr D referred the matter to our service on 13 May 2024. My decision does not consider whether the final settlement amount is fair and reasonable. If Mr D is unhappy about this amount, he'd need to raise a separate complaint to LV. I've also considered Mr D's rental costs. While they were incurred after Mr D referred the complaint to our service, they're sufficiently linked to the question of delays. LV has provided its comments about the costs, so I find it appropriate to deal with them here."

Industry rules say insurers need to deal with claims promptly and fairly. LV was notified of the claim on 7 December 2023, and it made its first settlement offer on 29 April 2024, after a period of around 20 weeks. I've considered the timeline carefully and weighed the points and evidence put forward. I'm not persuaded that LV progressed the claim promptly and fairly overall. This was an unusual claim, and LV was entitled to validate it. But I agree with our investigator – that LV tended to pursue its enquiries one at a time, and took too long in key areas. I've addressed these below.

The occupancy question

LV was concerned the house was unoccupied at the time of the leak. Mr D needed to tell LV if the house was unoccupied for more than 60 days in a row, or if he moves house. LV asked Mr D a lot of questions about this in the early stages of the claim. Mr D provided a detailed timeline and supporting evidence. This showed the property had been unoccupied for around 90 days at the time of the leak. However, crucially, Mr D had told LV that he and his family had returned for their children's half term in October. This stay meant the house was not unoccupied for 60 days in a row.

Mr D provided verifiable information to support this. He said his family had dinner one night with a prominent person who LV could have contacted. And he said he hosted two friends for dinner later in the week and provided their contact details. Mr D's bank statements showed transactions in the area that week. The half-term dates were verifiable. And the house was around a six-hour drive from their rented property, so staying overnight was foreseeable.

Mr D also provided a rental agreement for a van that he said he used in late November to move furniture, indicating the house was furnished in October. The rental agreement corroborated the dates Mr D gave, and the mileage matched a round trip between the two properties.

I think LV ought to have been able to conclude that the property was most likely not unoccupied for 60 days in a row – and I can see LV realised this early on. Its loss adjuster concluded on 3 January that the property was not unoccupied. They wrote:

“From the timeline and evidence given by the insured it would appear that the property was not deemed unoccupied for more than 60 days when the leak occurred.”

And in late February, another colleague wrote:

“Reviewed Unoccupancy clause further with [colleague] who agrees we would not be able to enforce given [Mr D's] timeline of occupation provided.”

I haven't seen that LV obtained any further significant evidence in respect of the half-term stay, so I think this line of enquiry could have been concluded fairly quickly.

However, in late March, LV questioned whether Mr D should have disclosed that he'd moved out of the house, and whether this meant he was in breach of his policy terms.

I understand why LV would have wanted to consider this; it was an important and highly relevant line of enquiry. But I don't think LV should have been considering it almost four months into the claim. LV's notes from its first call with Mr D, on 8 December 2023, say that Mr D told LV he'd moved out the house. I can't see that this was ever in dispute. So, I think LV could have considered a lot sooner whether this affected his claim.

LV referred the two questions to its underwriters on 26 March, and they confirmed on 2 April that the occupancy was not an issue. In all, I'm not persuaded that these enquiries should have taken as long as they did. It then wasn't until they were concluded that LV began to investigate another of its concerns – the cause of the damage.

Verifying the cause of the damage

LV wanted to verify the cause of the leak. It had Mr D's testimony but it didn't have evidence to corroborate this. I understand why LV wanted this, but I don't think it was reasonable to wait until other enquiries had concluded, and I think LV could have investigated earlier.

Mr D told LV on 3 January 2024 that the leak was coming from a burst header tank pipe in the loft. So, LV knew where the leak had likely come from – and LV's loss adjuster had also attended. In early January, two separate contractors attended the house – one to produce a schedule of works and another to check moisture levels. I think LV could have instructed one to locate the source of the leak. LV also asked Mr D if he had a plumber's report, which he didn't. I've taken from this that a plumber's report would have been sufficient, so, I think LV could have obtained this, and I don't think this would have taken very long. However, it wasn't until mid-April that LV sent a forensic expert to the house who found the leak where Mr D had said it was.

LV has pointed out that Mr D was reluctant to allow access to the house unless he was there. LV's notes indicate that this arose in March. By that time, LV had sent three contractors to the property and Mr D had raised a formal complaint, so, the relationship was starting to break down. I can understand why Mr D wanted to be present for further visits. But, even if not, Mr D wasn't present when the contractors attended in January. So, if LV had instructed one of them to locate the leak, or arranged a plumber in the earlier stages of the claim, I don't think it's likely that access would have been an issue.

Overall, I think LV should have concluded this line of enquiry sooner as well.

Not allowing Mr D to carry out repairs

Mr D has said it was unfair for LV not to allow him to do the work for so long. LV has said it needed to validate the claim, and Mr D's earlier work had prejudiced its position. It also said there was a risk Mr D would have to cover the cost of any work if the claim was declined.

I'm not going to comment on the extent to which Mr D's work affected the value of the claim. This is not within the scope of what I'm deciding here. I've instead focused on whether LV should have told Mr D sooner that he could get on and do the work.

I recognise LV needed to validate the claim and determine the extent of any insured damage. But I think it's important that LV noted in late February that it could use the photos Mr D and the loss adjuster had provided to assess the damage before Mr D got involved, and to calculate how much the repairs would have cost at that time. LV asked its contractor to do this. I can't see exactly when it did this or when the contractor responded. But I think LV could have done this earlier than late February because it had the photographic evidence in December.

Even if not, I think it would have been reasonable for LV to allow Mr D to carry out the works. I say this because LV had chosen to limit its liability to the extent of the damage in December, so, any work from then on was unlikely to affect this.

Of course, it then would have been up to Mr D to decide whether to go ahead with the work or wait to see if the claim is accepted. But I think it's likely he would have gone ahead. I say this because he consistently told LV that he intended to do the work, he was running out of

time, he wanted to do the work as soon as possible, and I can't see that he reasonably had another option – as he couldn't sell the house in its condition and his rental lease was expiring in July. I acknowledge LV's concern that he might have had to pay the costs himself if the claim were declined, but this was always a risk. So, I think LV could have told Mr D sooner that he could resume the work – and I think he most likely would have done.

I've considered what the delays mean for Mr D's rental costs and the overall impact on him.

Rental costs

Mr D would like LV to pay for his accommodation from 8 July until 15 August 2024. He's evidenced that this cost £1,900. He says if LV hadn't taken so long and stopped him from doing the work he wouldn't have had to move into this accommodation or pay the costs.

Mr D was there for just over five weeks before the work was finished and he moved back home. I'm satisfied Mr D would have tried to complete the work as quickly as reasonably possible. LV had said it wouldn't pay for the accommodation, so Mr D knew he'd have to pay himself. Mr D also made clear to LV why he wanted to start as soon as he could, and by 1 April 2024 at the latest. Mr D needed to find suitable contractors, obtain and review quotes, and then have the work begin depending on the contractor's availability. Then, he needed time for the work to be done.

Considering the overall timeline and the delays and issues I've highlighted above, I think it's likely that the claim should have been at least five weeks further forward than it was. On this basis, I think it's fair and reasonable for LV to pay Mr D's accommodation costs, as I don't think it's likely these would have been incurred if it wasn't for the delays I've identified.

LV has said the house was habitable, with bathroom and kitchen facilities, so alternative accommodation wasn't needed. Mr D doesn't think this is fair. He's said it wouldn't be safe for two young children to live in a building site for several weeks, some of the pipework had been taken from the header tank and this needed to be sorted out, there was no hot water as the tank plinth had collapsed and the tank had been taken out to prevent further damage, there was no undamaged living or dining areas, the carpets had been removed, and the family had nowhere to store their possessions.

I can see LV's point of view. We would usually expect insurers to consider alternative accommodation if bathroom and kitchen facilities are affected. But these aren't the only circumstances. We'd need to consider whether the property was reasonably safe during any work. Based on the photos I've seen, the extent of the damage, the schedule of works from LV, and Mr D's testimony – especially keeping in mind his two young children – I think it was reasonable for Mr D to have chosen rental accommodation. I'm persuaded, on balance, that this wouldn't have been needed if the claim had been dealt with more quickly. So, I think the only fair outcome is for LV to pay Mr D's rental costs. This is what I intend to award, with interest.

Compensation

A claim like this always would have been deeply distressing and inconvenient, especially as the house was about to be sold. LV is not responsible for this.

However, LV is responsible for any added distress and hassle from taking too long to deal with the claim.

Mr D is unhappy LV investigated him for fraud. I understand this would have been worrying. But I'm satisfied LV's enquiries were reasonable given the highly unusual circumstances of the claim, so I'm not intending to uphold this point. However, I think the overall pace of LV's investigation – when it knew how urgent the matter was – caused Mr D a lot of additional frustration, anxiety and hassle at an already difficult time. I should explain that Mr D's family aren't policyholders, so I can't consider any impact on them.

Our investigator recommended £350. I think this is a fair amount for the delay. But I think it would have been very inconvenient and upsetting for Mr D to have to move into rental accommodation in July. I think this could reasonably have been avoided, so I intend to award Mr D £600 in total.

I want to reassure the parties that I've carefully considered their points of view. I understand Mr D's desperation, and I understand LV's desire to validate the claim and carry out a thorough investigation. The crux of the matter, for me, is that LV acted too slowly and inefficiently. I think this had significant consequences for Mr D and I think these consequences were foreseeable. I think it's fair that LV puts right this right for Mr D."

Responses

Mr D said he accepted my provisional decision.

LV said it had no further comments to add.

As both parties have had a chance to consider my provisional decision and respond, I now consider it appropriate to issue my 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.

As the parties have accepted my provisional decision or not provided further comments or evidence, I see no reason to change my view of the complaint.

I've considered the matter again and my opinion hasn't changed. So, the findings of my provisional decision are now the findings of this, my final decision.

Putting things right

To resolve the complaint, I require LV to:

- Reimburse Mr D's accommodation costs of £1,900, with 8% simple yearly interest* added on, from the date Mr D paid for this until the date of settlement, and
- Pay Mr D £600 of compensation in total.

*If LV considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr D how much it's taken off. It should also give Mr D a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons I've given, I uphold Mr D's complaint about Liverpool Victoria Insurance Company Limited and require it to do as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 30 June 2025.

Chris Woolaway
Ombudsman