DRN-5604427

The complaint

Miss K has complained about the amount Royal & Sun Alliance Insurance Limited ("RSA") offered to settle a claim she made on her home insurance policy.

Reference to RSA includes its agents and representatives.

What happened

The circumstances aren't in dispute, so I'll summarise the background:

- In May 2024, Miss K discovered a leak under her bathroom sink and got in touch with RSA to make a claim for the cost of putting the damage right.

- RSA accepted the claim and went on to consider how to settle it. RSA initially estimated the cost of repair at nearly £4,000. Miss K gathered quotes of her own, the lowest of which was over £6,000. RSA then appointed a loss adjuster to schedule the repairs. They estimated the cost of repair at less than £4,000.

- RSA said Miss K could take a cash settlement to this value, plus VAT if incurred, or it could carry out the repairs using its own contractor. RSA also offered to pay for alternative accommodation ("AA") during repairs.

- Miss K complained about the amount she'd been offered for repairs and the way the claim had been handled.

- RSA reviewed the matter again and offered nearly £5,000, excluding VAT – which could be paid upon receipt of a VAT invoice – plus £4,000 for AA and less the excess. Or to carry out the work itself. It also said it would consider further AA costs. RSA apologised for a communication error when appointing the loss adjuster.

- Our investigator thought RSA had acted fairly and didn't ask it to do anything further.

- Miss K disagreed, so the complaint has been passed to me.

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.

- When considering what's fair and reasonable in the circumstances I've taken into account relevant law and regulations, regulators' rules, guidance and standards, codes of practice and, where appropriate, what I consider to have been good industry practice at the time. Whilst I've read and taken into account everything said by both parties, I'll only comment on the points I think are relevant when reaching a fair outcome to this dispute. That's a reflection of the informal nature of this Service.

- As our investigator has noted, the points Miss K has made about home emergency cover and her premiums haven't been raised with RSA as a complaint. So they won't be considered at this time. Miss K is entitled to make those complaints if she wishes.

- The policy covers damage caused by an escape of water. RSA has accepted the claim and gone on to make an offer to settle it. The primary complaint point is whether RSA's offer is fair and reasonable in the circumstances.

- The policy sets out how a claim for building damage will be settled. In summary, the relevant terms say:

  - RSA will pay for the reasonable cost of work to repair the damage.
  - If a cash settlement is paid, it will be no more than the cost to RSA to repair the damage.
  - No allowance will be made for VAT within a cash settlement.

- In this case, RSA hasn't imposed a cash settlement offer on Miss K. It's offered to carry out the work *or* for her to take a cash settlement. That means Miss K doesn't have to lose out financially – if she lets RSA carry out the work, she will only have to pay the policy excess.

- If RSA carries out the work, I would expect it to do so in a lasting and effective manner. That means satisfactorily putting right the damage caused by the escape of water, for a reasonable period of time. If, during work, further damage is discovered and/or costs increase, that's for RSA to deal with. RSA would be responsible for the actions of the contractor it appoints to carry out the work. If Miss K would like more information about the particular contractor RSA would appoint, she's welcome to get in touch with RSA about it and explore this further.

- If Miss K would prefer to have a contractor of her choosing carry out the work, that will cost her more than the cash settlement offer and she will lose out financially, in addition to the policy excess. That's clearly not a position Miss K would like to be in. But, as noted in the point above, she's not required to take that option and lose out.

- Whilst Miss K may prefer to use a contractor of her choosing, and for RSA to pay the corresponding cost in full, that's not what the policy offers. Broadly, the policy offers for RSA to carry out the work *or* for a cash settlement to the value of RSA's work to be paid to her. I don't find this unfair in principle. And it's consistent with the way most home insurance policies operate – so I don't think RSA is acting unusually. I haven't seen any reason why it would treat Miss K unfairly in the particular circumstances of her claim.

- The complaint isn't about the schedule of work RSA intends to carry out, in comparison to that suggested by the contractor. So the difference in costs is likely to be the result of preferential rates RSA benefits from in comparison to the open market. Again, this is common, and I don't think it's unfair in principle.

- Although the cash settlement offer doesn't include VAT, RSA has said that if Miss K goes on to incur VAT, she can get back in touch with RSA for a further payment to be made – up to 20% of the cash settlement RSA offered. Again, that's consistent with the way most home insurers operate and I think it would treat Miss K fairly.

- For these reasons, I'm satisfied RSA's offer is in line with the policy terms and treats Miss K fairly and reasonably in the circumstances. It remains open to her to choose which option to take and let RSA know.

- The policy also covers additional accommodation expenses whilst the property is uninhabitable due to the escape of water damage. RSA has accepted the property will be uninhabitable during repairs and offered £4,000 for AA.

- I understand Miss K considers £4,000 *may* cover the costs, but that's uncertain at this stage. Miss K has noted her circumstances may mean she incurs higher AA costs than this amount. I note RSA has offered to consider further AA costs, subject to evidence, should they be incurred. I'm satisfied that's a fair and reasonable position to take. And it means Miss K is welcome to get in touch with RSA about this and explore the AA settlement further.

- When handling a claim, RSA is required to do so promptly and fairly. I'm satisfied RSA broadly fulfilled that requirement. I'll explain why.

- RSA initially appointed an agent to inspect the damage and consider whether it was covered under the policy. The agent did so, made an initial estimate for the cost of the work, and set out the next steps for the claim. So, within a short period of time, Miss K knew the claim had been accepted and what would happen next. That included an asbestos test, which naturally took time to arrange and complete.

- In order to decide how to settle the claim, Miss K gathered quotes from contractors. Again, that naturally took time to do. Once complete, and due to the need for AA, RSA decided a different agent – a loss adjuster – would be more appropriate to handle the claim. It's apologised for not communicating clearly with Miss K about this.

- I'm satisfied RSA was entitled to appoint a loss adjuster in the circumstances. In hindsight, it would have been preferable to have done so from the outset – but I don't think the claim initially appeared to be one that might require a loss adjuster. So I can understand why RSA didn't do so based on what it knew at the time. After that, there was a period of discussion about how to settle the claim, before the complaint arose and was answered in January 2025.

- From the start of the claim to the complaint response was around eight months. That's longer than I'd usually expect for a claim of this nature to reach this stage. But I don't think this claim experienced any material avoidable delays. And I think RSA's apology for the communication errors it made was reasonable in the circumstances.

- I've no doubt this has been a distressing and inconvenient experience for Miss K. But I'm satisfied that was the result of the water leak and the steps reasonably required to deal with it – not any further, avoidable problems caused by RSA.

- Overall, for the reasons given above, I'm satisfied RSA acted fairly and reasonably in relation to the settlement offer and the claim handling. So I won't require it to do anything differently at this time.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 5 August 2025.

James Neville
Ombudsman