DRN-5607412

Financial Ombudsman Service

The complaint

Mr K is unhappy with the way Lloyds Bank General Insurance Limited trading as Bank of Scotland ("LBG") handled his claim and the settlement it offered.

What happened

The background to this complaint is well-known to both parties, so I've summarised what I think are the key events.

Mr K had buildings and contents insurance underwritten by LBG. He suffered an escape of water in his bathroom and, after employing a plumber to source the leak and start work, he claimed under his policy.

LBG arranged an inspection and made a cash settlement offer based on what it would've cost to carry out necessary repairs using its own contractors. Mr K was unhappy with the amount LBG offered because his repair costs would be significantly more. LBG said it wouldn't offer more because the bathroom had been completely stripped before Mr K had made the claim, so it didn't have the opportunity to assess the level of damage and its liability.

Mr K complained to LBG. He said it'd caused delays handling his claim and communicating information to him. He also said LBG didn't offer alternative accommodation, meaning he and his young family needed to use friends' bathing facilities.

In its final response letter, dated 12 November 2024, LBG upheld Mr K's complaint regarding the failure to offer alternative accommodation. When he asked for it, LBG was led to believe that Mr K had two bathrooms when, in fact, he had one bathroom and an additional downstairs toilet. LBG also accepted that there'd been two minor delays of around five days. For these shortfalls, LBG paid £150 compensation. However, it maintained its cash settlement offer of £1,983 after deducting the policy excess based on the work its contractor determined would've been necessary.

Unhappy with LBG's response, Mr K brought his complaint to us. Our investigator asked for further evidence, such as photos and a plumbing report, and recordings of calls between Mr K and LBG. On consideration of the evidence, our investigator didn't uphold Mr K's complaint. He said that LBG had paid fair compensation for the shortfalls identified, and he didn't think there'd been any significant delays. Our investigator said the scope of work that had been suggested as necessary seemed reasonable based on the limitation on LBG to assess the actual damage caused by the leak. Therefore, our investigator didn't think LBG needed to do any more.

Mr K didn't agree. He said nobody (in his situation) would've taken photos of the damage before starting repairs as a matter of urgency; LBG's offer of £600 to cover bathing costs hadn't been mentioned; he didn't accept LBG's cash settlement offer, and it hadn't paid him £150 compensation. Our investigator responded to Mr K's further comments but he remained unhappy.

Because Mr K didn't agree with our investigator's view, the complaint was 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, whilst I'm sorry to disappoint Mr K, I've decided not to uphold his complaint for broadly the same reasons as our investigator.

To be clear, my summary is a simplified version of events. That doesn't mean I've missed anything in the evidence provided. Rather, I've focused on the key points of Mr K's complaint and I'll refer to the relevant evidence where I think it helps explain the reasons for my decision.

The Financial Conduct Authority's rules (ICOBS 8.1.1) say that insurers must handle claims promptly and fairly. And that they mustn't turn down claims unreasonably.

Settlement

The key complaint is that Mr K doesn't think LBG offered a fair settlement for his escape of water claim. The policy sets out the detail of the contract between Mr K and LBG and I note that escape of water is covered, with a £100 excess. In its response to Mr K's complaint, LBG said the terms and conditions state:

> *don't make repairs for any reason other than urgent repairs to stop the problem getting worse. For example, turn the water off at the mains, and call a plumber if there's a leaking pipe and if you or your plumber need to damage your buildings, we'll need to agree to the work before it takes place*

LBG didn't offer a settlement for the full invoice Mr K presented because it hadn't had an opportunity to inspect the damage before he'd arranged for the entire bathroom to be stripped out. Mr K provided photos to show the damage, but they were taken after the bathroom was stripped. In his response to our investigator, Mr K suggested that no one would've taken photos before. However, the policy states

> *If you need to make urgent repairs, take a photo before and after.*

The same section of the policy also states:

> *You should tell us about your claim as soon as you can. We might not be able to pay some or all of your claim if you don't.*

Mr K's bathroom was stripped out completely three days before he first made his claim to LBG.

It's worth noting, too, that the policy provided trace and access cover.

> *When a leak happens it is sometimes hard to find exactly where it's coming from, so please take all reasonable steps to stop the water and prevent the damage getting worse. […] If you have Buildings insurance and it is necessary to damage your buildings to find and/or get to the leak […] we'll pay for:*
>
> - *the cost of finding the leak, and*
> - *repairing the damage caused in getting to the leak. If you or your plumber need to damage your buildings, we'll need to agree to the work before it takes place. So please call us first.*

I'm satisfied that the policy makes it clear that any urgent work to prevent further damage should be minimal – here, that appears to be limited to turning off the water. It's not clear why Mr K didn't seek earlier assistance from LBG given that his policy provided cover for tracing and, perhaps more importantly, accessing the leak. Nor is it clear why Mr K agreed to have a complete strip-out of his bathroom, right back to the insulation in the walls and with all fittings removed around five days after he said the leak was noticed, and three days before he made a claim with LBG.

Based on Mr K's actions, I find that LBG reasonably concluded that he hadn't made his claim in line with the requirements of the policy.

LBG didn't decline Mr K's claim. Instead it sought to identify the damage that was likely caused by the escape of water and, in turn, identify its limit of liability. If Mr K had turned off the water and notified LBG straight away, it would've assessed the damage and either carried out repairs or offered a cash settlement. Because Mr K had removed its ability to assess the damage properly, and he didn't have photos from before the strip-out, LBG reasonably relied on its own contractor's assessment of the likely damage and likely cost of repair.

I understand Mr K thinks it was necessary to strip the entire bathroom to keep his family safe. I have no reason to doubt his intentions. But I'm not persuaded that stripping the bathroom back to the inner walls can reasonably be considered as necessary urgent work to prevent further damage.

Given the evidence available, I'm satisfied that LBG responded to Mr K's claim reasonably. I think it treated him fairly by not declining the claim, which the policy does provide for, and I see no reason to ask it to offer a cash settlement greater than its existing offer based on its own costs. Should Mr K provide further evidence of work which he thinks should be covered, it's his responsibility to provide that directly to LBG for consideration.

Alternative accommodation

LBG paid £150 by way of apology for not offering alternative accommodation. It said it misunderstood the reference to Mr K having two bathrooms.

Having listened to the call recordings, I note that when Mr K asked about alternative accommodation, LBG said it would first need to validate the claim. I heard the discussion regarding the bathroom, and Mr K referred to the downstairs toilet room as a bathroom. I think it was reasonable, at that stage, that LBG believed Mr K had two bathrooms.

Later, Mr K told LBG that the second bathroom was just a toilet and sink, and he and his family were using a friend's shower. LBG's payment of £150 was only to apologise for its failure to offer accommodation – it was not intended to address any inconvenience Mr K may have experienced. In its response, LBG said it would review the alternative accommodation situation and contact Mr K. I find that LBG's confirmation that it would review the alternative accommodation, and its payment of £150 which Mr K has confirmed he did receive, was a fair and reasonable response. I make no requirement of LBG in respect of this issue.

I'm aware that LBG has since made an offer of £600 to Mr K. However, I can only consider matters which he complained about to LBG and to which it responded in its 12 November 2024 final response letter. Therefore, I make no finding on LBG's offer of £600 for matters relating to the alternative accommodation.

Delays

Under the FCA's rules, LBG is required to handle claims promptly. Mr K said he noticed the leak somewhere around 23-25 September 2024. He first contacted LBG on 3 October, so Mr K had been experiencing the inconvenience of the leak for around nine days before LBG was aware of it. At this point, he'd told LBG that the leak had been stopped and his bathroom stripped. So I don't think there would've been a sense of urgency.

On 7 October LBG arranged an inspection, which took place five days later. A further five days after that, on 16 October, LBG confirmed its settlement offer.

The timeline shows that LBG took details of the claim and issued its settlement offer in just under two weeks. Mr K had already stripped out the bathroom, and arranged installation of a new bathroom before he made his claim. So the only matter for LBG to decide after validating the claim was how much it would offer as a cash settlement.

While LBG could've given its decision sooner, I can't see that it caused Mr K significant, or possibly any, loss with the relatively short delays. Therefore, I don't think there's anything further LBG needs to do in respect of this matter.

Overall, I find that LBG handled Mr K's claim in line with the policy terms and conditions, and its settlement offer is fair and reasonable in the overall circumstances. I see no reason to make any requirement of LBG here.

My final decision

For the reasons I've given, my final decision is that I don't uphold Mr K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 25 September 2025.

Debra Vaughan
Ombudsman