

## The complaint

Mr and Mrs S have buildings and contents insurance with Liverpool Victoria Insurance Company Limited ("LV"). They've complained because their premium increased due to a claim being lodged and because of the settlement offered for the claim.

## What happened

Mr and Mrs S's policy renews on 10 January each year. On 11 December 2023 LV sent the renewal documents for the insurance year starting 10 January 2024. The premium quoted was £773.63.

On 2 January 2024 Mr S contacted LV to make a claim under the policy for storm damage to a garage roof. The following day, LV sent Mr and Mrs S revised renewal documents. The premium had increased to £1,035.89.

Mr and Mrs S complained to LV about the increased premium. LV confirmed the revised premium was correct. It said any claim had to be included in the following year's policy and a new quote was therefore generated following the storm claim to reflect the new risk.

On 19 January 2024 an assessor inspected the damaged roof. He told LV there was a valid claim for storm damage as the roof had been affected by storm winds. He said to return the roof to the pre-storm condition the damaged roof sheets across the width of the roof would need to be removed and replaced. The assessor also told LV there was some damage to the roof that wasn't caused by the storm.

Agreement couldn't be reached between LV and Mr and Mrs S over the settlement of the claim. Mr and Mrs S said that the damage to the roof is a hole in the centre and the sheets between the hole and the rear were all lifted and are leaking. They said they want the hole repaired and the panels nailed down and the roof sealed.

LV said the roof was only partially damaged by the storm and it offered to pay Mr and Mrs S £1,686 in lieu of the repairs. It said this amount included costs for the repair and the removal of asbestos in the roof.

Mr and Mrs S didn't accept the offer. In order to consider the matter further LV asked Mr and Mrs S to get their own quotes. They sent a quote to LV which said "*Total cost for removal and replacement of asbestos roof that was damaged by high winds is £8000*". LV asked Mr and Mrs S for a breakdown of the quote. It said only storm related repairs are covered and without a breakdown it couldn't proceed further. Mr S suggested that LV contact the contractor for a breakdown as it wasn't for him, as the customer, to get repair quotes.

Deadlock was then reached as:

- LV said the onus was on Mr and Mrs S to prove they have a valid claim and unless it had a breakdown of the quote it couldn't make a payment, and
- Mr and Mrs S refused to get a breakdown as they felt the onus wasn't on them to get information from the contractor.

## **What I provisionally decided – and why**

I issued a provisional decision which explained why I thought the complaint should be upheld. The relevant parts of my provisional decision are outlined below and form part of this final decision.

### *Renewal premium*

- In deciding whether to offer insurance cover, and at what terms (including price), insurers consider a number of different risk factors – one of which is the number and type of claims a policyholder has made.
- It's usual practice for insurers to send policyholders renewal documents around four weeks before a policy is due to renew. In this case, when LV first sent Mr and Mrs S the renewal documents the premium quoted was based on their claims history at that point. But that changed a few weeks later when the storm damage claim was made – the number of claims made in the five years prior to the 10 January 2024 renewal date went from an accidental damage claim in April 2021 to the accidental damage claim *and* the storm claim.
- As the policy hadn't yet renewed LV was entitled to re-assess the terms at which it was prepared to offer Mr and Mrs S insurance for a further 12 months. And as Mr and Mrs S's claims history had changed LV was entitled to increase the premium. In effect, the premium being £1,035.89 was no different from what it would have been had a similar storm claim been made before the original renewal documents were sent. The only difference is that this figure is what would have been quoted in the original renewal documents.
- Accordingly, I concluded that LV didn't treat Mr and Mrs S unfairly when it increased the renewal premium.

### *Claim settlement*

- Mr and Mrs S's policy covered the cost of repairing damage to their home caused by storm. The policy said LV could choose how to settle a claim eg by repair, replacement, paying the cost of repair or making a cash payment. Although contractually LV was able to choose how to settle the claim, in my view it needed to treat Mr and Mrs S fairly in exercising this right. I had a number of concerns about LV's settlement offer.
  - It initially offered Mr and Mrs S £400 which I thought was unfair given that the current offer was £1,686.
  - It was unclear how the £1,686 had been calculated – I'd asked LV to provide me with details of its calculations and it couldn't/hadn't; it provided me with the scope of works drawn up by the contractors which totalled £1,559.40. It said it was checking this with the contractor but I never received anything further which explained how the offer was calculated.
  - LV told me its offer was based on the preferred rates it received from its approved contractors – which I felt was unfair. Our longstanding position is that if an insurer chose to settle a claim by paying cash in lieu of the repairs (or replacement) then the settlement had to be based on the open market rates.

That's because policyholders can't get preferential rates from suppliers or contractors as insurers do.

- LV confirmed that the storm damage couldn't be repaired in isolation because the presence of asbestos meant the whole roof needed replacing. It also confirmed that its offer was based on the cost of repairing the storm damage only. Again, I felt that was unfair. Although contractually LV was only liable for the cost of repairing the insured damage (ie the storm damage), our longstanding position is that any repair needed to be lasting and effective. And if the only way of carrying out a lasting and effective repair was by repairing uninsured damage alongside the insured damaged then the insurer must pay for the full cost of repairing or replacing everything.
- Given the above, I wasn't persuaded that LV had treated Mr and Mrs S fairly with its cash offer.

### **Responses to my provisional decision**

Mr and Mrs S accepted my provisional decision.

LV said that having reviewed the matter it's of the strong opinion that it's likely it could repair part of the roof and provide a lasting and effective repair. And if it came to light during the repair that the whole roof needs replacing it would do so. It nevertheless accepted that the incorrect cash settlement offer and the lasting and effective repair should have been picked up earlier and it understands where we are now on the claim.

### **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.

It's not clear to me whether LV's response to my provisional decision is an acceptance or acknowledgement of it or an outright rejection of it. I've nevertheless noted and considered its comments.

LV has had around 18-months to finalise its position on what repairs are needed, how much they will cost and how it's going to settle Mr and Mrs S's claim. I specifically asked LV before issuing my provisional decision whether or not the repair work for the damage could be carried out in isolation to the rest of the damage to the roof because this wasn't clear. And it specifically and unequivocally said "*we can't repair the damaged section alone, without replacing the entire roof*". It simply lacks credibility in my view for it to now, knowing that it might be on the hook for the replacement of the entire roof, do a complete U-turn and say that it thinks the storm damage can be repaired in isolation.

As LV recognises, we are now where we are in respect of the claim and complaint. LV's response to my provisional decision doesn't persuade me to alter my mind. Even if a localised repair is possible, it's simply unfair and unreasonable for Mr and Mrs S to wait any longer for LV to make up its mind on what it wants to do. I'm not confident that it wouldn't take many more months for LV to arrange a repair or calculate the necessary repair costs and then settle the claim.

So for the reasons outlined above, it remains my opinion that LV treated Mr and Mrs S unfairly with its cash offer.

## **Putting things right**

### *Claim settlement*

My conclusion is based on LV's original advice to me that the whole roof needs replacing. As LV has already acted unfairly (in my view) in trying to cash settle the claim, I think it's fair now for Mr and Mrs S to be given the choice as to their preferred settlement option – either having LV arrange the repairs or having LV pay them £8,000 as per the quote they provided and they arrange the repair themselves. In response to my provisional decision Mr and Mrs S confirmed they'd prefer the cash option.

In respect of the quote, if the storm damage could have been repaired in isolation then it was reasonable for LV to have insisted that Mr and Mrs S provide a more detailed estimate. That's so LV could work out how much of the total cost could be apportioned to repairing the storm damage and how much was attributed to any other repairs needed. But as the whole roof needs replacing, and as the quote provided was for the total cost to remove and replace the roof, I'm not persuaded that a more detailed quote is now needed.

### *Compensation*

Our investigator felt LV should pay Mr and Mrs S £200 compensation for the distress and inconvenience caused by its handling of the claim. He cited things like LV mistakenly offering to repair the damage in its formal response to the complaint, Mr S's calls not being taken by the claim handler and missed surveyor visits.

I agree that this most likely caused Mr and Mrs S unnecessary distress and inconvenience. However, it's now nearly 18 months since the damage occurred and it hasn't yet been repaired. So Mr and Mrs S have had to put up with an unrepaired garage roof for longer than I feel was necessary – in my view causing additional distress. I therefore think £500 is more appropriate compensation.

## **My final decision**

I uphold this complaint. I require Liverpool Victoria Insurance Company Limited to pay Mr and Mrs S £8,000 in settlement of the claim for the damaged roof, and £500 compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 24 July 2025.

Paul Daniel

**Ombudsman**