

The complaint

Miss H1 and Miss H2 complain about the settlement offered by U K Insurance Limited trading as Privilege Home Insurance ('UKI') under their buildings insurance policy.

What happened

Miss H1 and Miss H2 hold buildings insurance cover with UKI. They made a claim after there was an escape of water in their shower room.

UKI offered to arrange for its contractor to carry out the repairs, though it told Miss H1 and Miss H2 that it may be quicker for them to obtain their own quotes so a cash settlement could be paid. Miss H1 and Miss H2 did this, but UKI then had concerns about the work included in the quotes and the costs involved. It therefore arranged for one of its agents (that I'll call 'N') to inspect the damage later the same month.

N put together a schedule of work and estimated that the repairs would cost £4,865.63 plus VAT. This amount was offered to Miss H1 and Miss H2 as a cash settlement, or alternatively N would arrange for the repairs to be done.

Miss H1 and Miss H2 were unhappy with the cash settlement amount, and didn't want N to do the repairs. They therefore made a complaint to UKI.

UKI issued an initial final response to the complaint on 20 November 2024. It maintained that its cash settlement offer was fair but paid Miss H1 and Miss H2 compensation of £100 for its handling of the claim.

After Miss H1 and Miss H2 corresponded further with UKI, it issued a second final response on 23 December 2024. UKI said that since Miss H1 and Miss H2 had refused to use its contractor, it wasn't responsible for the delays since the cash settlement had been offered to them. However, it paid them a further £50 compensation for some poor communication and minor delays in its supplier reviewing the quotes Miss H1 and Miss H2 had provided.

Miss H1 and Miss H2 remained unhappy and so they brought a complaint to this service.

Our investigator partly upheld the complaint. She concluded the cash settlement offered by UKI was fair, as she thought some of the items included in the quotes Miss H1 and Miss H2 had obtained were not covered. However, she recommended that UKI increase the compensation to £250 for its handling of the claim.

UKI accepted our investigator's recommendations, but Miss H1 and Miss H2 did not. The matter has therefore been passed to me for a 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.

Settlement of claim

The policy says:

“How we settle claims

*If the **buildings** are damaged by any of the causes listed in Section 1, **we** will either:*

- > repair or rebuild the damaged part using **our** suppliers*
- > pay to repair or rebuild the damaged part using **your** suppliers*
- > make a cash payment.*

*If **we** can repair or rebuild the damaged part, but **we** agree to use **your** suppliers or make a cash payment, **we** will only pay **you** what it would have cost **us** using **our** suppliers and therefore the amount **you** receive may be lower than the cost charged by **your** suppliers.”*

UKI offered to arrange for its own contractor to do the repairs, but it told Miss H1 and Miss H2 that they could be waiting a few weeks for the work to start. UKI told Miss H1 and Miss H2 that it would probably be quicker if they obtained quotes from local plumbers themselves.

I agree with our investigator that UKI ought to have managed Miss H1 and Miss H2's expectations here. I would have expected UKI to explain that since it had offered to arrange for its own contractor to do the work, then any cash settlement would be based on the amount it would have cost UKI. Having said that though, if Miss H1 and Miss H2 had obtained a quote that UKI thought was a reasonable amount and not included uninsured works, then UKI has confirmed it would have likely just paid this.

If UKI's own contractor hadn't been able to do the repairs for a significant length of time, then I would have likely found that UKI ought to have paid what it would cost Miss H1 and Miss H2 to have the repairs done by their own contractors. Though in the circumstances, I think a delay of a few weeks wasn't unreasonable. I also note that once N had carried out an inspection, it offered to carry out the repairs for Miss H1 and Miss H, but they refused. So, I agree with our investigator that UKI was entitled to limit the cash settlement to the £4,865.63 plus VAT that N said it would cost it to do the work.

Miss H1 and Miss H2 obtained quotes for £5,400, £7,320.15 and £9,811.20 (inclusive of VAT). Miss H1 and Miss H2 wanted UKI to pay a cash settlement based on £7,320.15. However, UKI thought these included uninsured work and the amounts were excessive. It therefore arranged for N to carry out an inspection. I think this was up to UKI. Miss H1 and Miss H2 are unhappy that UKI didn't tell them this was going to happen when it first suggested they obtain their own quotes. But UKI didn't know at this time that the quotes would include uninsured work or would be as high as they were, though I accept it could have told Miss H1 and Miss H2 that if there were any issues with the quotes then it may need to arrange an inspection.

Miss H1 and Miss H2 have since obtained a more recent quote for £4,988.05 plus VAT. Though this still includes work that UKI hasn't agreed to cover - a shower, replacing all the tiles, and a tanking kit. I'll address each of these in turn.

Miss H1 and Miss H2 have said they want a new power shower, and the shower door replaced. Though I haven't seen any evidence that the shower itself was damaged, and a replacement shower also wasn't included in the initial estimates that Miss H1 and Miss H2 obtained. So, I don't require UKI to cover the cost of replacing the shower. I note that N's schedule of work took into account the shower door would need to be replaced.

Miss H1 and Miss H2 say that when their contractor recently removed the tiles, he found water in the shower, and so they think it will fail the PAT test. If it does fail the PAT test and a new shower is needed, then Miss H1 and Miss H2 should provide evidence of this to UKI for it to consider.

With regards to the tiles, the policy says it won't cover any undamaged items solely because they are part of a set unless they are part of a bathroom suite or fitted kitchen. That means Miss H1 and Miss H2 only have cover under the policy for the damaged tiles. Though we often consider it to be fair and reasonable for an insurer to pay a contribution towards undamaged items that are part of a set. Here, UKI has agreed to cover 50% of the undamaged tiles in the bathroom, as the damaged tiles needed to be replaced and therefore would no longer match. I'm satisfied this was a reasonable approach. This was taken into account in N's schedule of work.

Lastly, I've considered the tanking. UKI thought tanking would be considered betterment, and our investigator agreed. Though Miss H1 and Miss H2 have argued that British Standards changed in 2018, and wet areas now need to have a suitable tanking membrane. The tanking kit is around £80.

UKI says the British Standard guidance is a code of practice for contractors to follow but isn't considered government or local authority regulations. It says that none of its network contractors adhere to this British Standards recommendation, and there are suitable alternatives to a tanking membrane, such as using waterproof plasterboard.

Whilst I've taken on board UKI's points here, British Standards do set out best practices that insurers usually take into account when considering claims and repairs. I think it's reasonable for Miss H1 and Miss H2 to want their shower room to be repaired in line with British Standards, to ensure an effective and lasting repair.

I told both parties I was intending to require UKI to include the cost of the tanking kit in its cash settlement. However, UKI has said that it will honour its original settlement offer of £4,865.63 plus VAT, and that this is more than Miss H1 and Miss H2's most recent quote once the shower and tiles are deducted.

Miss H1 and Miss H2's quote for £4,988.05 plus VAT doesn't separate out the cost of the tiles, so I can't deduct anything for this. Though I see the cost to install the new shower is £198. The quote doesn't say how much the shower itself costs, but from looking online I see it costs around £500. I've already concluded that UKI doesn't need to pay for a new shower, as Miss H1 and Miss H2 haven't shown that the original shower was damaged. So, the cost of the new shower and its installation (total of around £698) should be deducted from the quote. This leaves £4,290.05 plus VAT. This is less than the amount UKI has offered to pay, and therefore the cost of the tanking would be covered under the cash settlement if Miss H1 and Miss H2 decide to use their own contractor.

I therefore don't require UKI to increase its cash settlement offer of £4,865.63 plus VAT, as this is higher than the most recent quote Miss H1 and Miss H2 have obtained which includes tanking (after deducting the shower). Though if Miss H1 and Miss H2 do decide they want UKI to carry out the repairs, UKI should include applying the tanking membrane to the schedule of work.

Miss H1 and Miss H2 have recently arranged for a contractor to remove the tiles and flooring so the room could dry, and they've used dehumidifiers for the drying. They've said that this wasn't included in N's schedule of work. I've checked and the schedule of work did include removing the plasterboard (they'd have to remove the tiles to get to the plasterboard behind)

and the floor tiles. They haven't specifically included drying time in the schedule of work, but I wouldn't expect them to include this.

Miss H1 and Miss H2 say they've used additional electricity for the dehumidifiers. They've sent this service their electricity bills over a three-month period. As this is new evidence, they would need to send the information to UKI to consider.

Finally, Miss H1 and Miss H2 aren't happy that UKI has asked them to pay an excess of £550. Though the policy schedule confirms that an excess of £550 is payable for escape of water claims, and UKI reminded Miss H1 and Miss H2 of this when they initially made their claim. I'm satisfied UKI was entitled to apply this to the claim.

UKI's handling of claim

UKI has accepted that its communication with Miss H1 and Miss H2 could have been better, and they'd had to contact UKI several times for updates. It also thought its claim handler ought to have returned a call rather than directing Miss H1 and Miss H2 to N. Finally, it noted there had been a two-week delay between the date N had carried out their inspection and the date the cash settlement was offered to Miss H1 and Miss H2, and thought this ideally should have been offered within seven days.

Miss H1 has explained how she has experienced ill health and thinks UKI's handling of the claim has contributed to this. I'm sorry to hear that Miss H1 has been unwell, and I hope things have improved for her. I see she advised her GP in July 2025 that she had experienced stress from the claim and wanted the GP to confirm that the ill health she had experienced in 2024 resulted from this. Though the GP couldn't confirm this.

Despite my sympathy for Miss H1, I don't think UKI caused excessive delays or placed pressure on her that would have caused her stress over and above what someone would typically experience when making an insurance claim. Miss H1 and Miss H2 made their claim in late July 2024 and provided the initial estimates they'd obtained by late August 2024 (I understand there was a delay as Miss H1 was on holiday in August 2024). N were appointed the following day, and on 13 September 2024 they offered to either pay the cash settlement or do the repairs. So, repairs could have taken place in September 2024 if Miss H1 and Miss H2 had wanted this.

Though as I've mentioned above, I agree with our investigator that UKI ought to have better managed Miss H1 and Miss H2's expectations at the outset when it was discussing the options available to them with regards to obtaining their own quotes. And I've taken into account the issues that UKI has already accepted it caused during its handling of the claim. Having done so, I agree with our investigator that total compensation of £250 is fair, in the round, for the issues Miss H1 and Miss H2 experienced throughout the claim.

My final decision

My final decision is that I partly uphold this complaint.

If U K Insurance Limited trading as Privilege Home Insurance carries out the repairs, then it should include applying the tanking membrane to the schedule of work.

I require U K Insurance Limited trading as Privilege Home Insurance to pay Miss H1 and Miss H2 a further £100 compensation (this is in addition to the £150 already paid)*.

* UKI must pay the compensation within 28 days of the date on which we tell it Miss H1 and Miss H2 accept my final decision. If it pays later than this, it must also pay interest on the

compensation from the deadline date for settlement to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H1 and Miss H2 to accept or reject my decision before 8 October 2025.

Chantelle Hurn-Ryan
Ombudsman