

## **The complaint**

Mr B has complained about the service Lloyds Bank General Insurance Limited (“Lloyds”) has provided following a flood claim.

Any reference to Lloyds in this decision includes its appointed agents.

## **What happened**

Mr B holds a home insurance policy with Lloyds which includes buildings and contents cover. He made a claim under the policy following a storm which caused flooding to the entire ground floor of his property, in October 2023.

Lloyds appointed a surveyor to assess the damage, and following this, it accepted the claim. It produced a schedule of works and initially offered to have the work completed by its contractors. But the scope of repairs was disputed. Mr B has told us that whilst the schedule was sent to him, it wasn't in a format he could understand.

He employed a loss assessor due to the breakdown in trust and to ensure the claim was progressing correctly. The loss assessor requested a site meeting, but this was refused. Lloyds said Mr B didn't indicate he was willing to let its contractors commence the repairs, so it ultimately offered him a cash settlement. Mr B wasn't happy with this. He said Lloyds never had any intention of carrying out repairs and were only focused on getting him to accept an unreasonably low cash offer.

Mr B's boiler was destroyed by the flood. Lloyds refused to replace it. He also requested alternative accommodation which wasn't provided as Lloyds considered the property habitable. It offered a monthly disturbance allowance instead. Mr B says the property wasn't habitable due to mould growth, bacteria and damp, as well as a persistent musty smell – and that the suggestion of using an allowance to live on takeaways in such a rural area was unreasonable. He also said his wife was a cancer survivor and was understandably therefore more susceptible to harm.

Mr B made a complaint. He said neighbouring homes had also suffered damage due to the same storm, but their insurance claims seemed to be progressing more quickly. He said he'd incurred out of pocket expenses by having to move out of the property into rental accommodation and he also wasn't reimbursed for the additional electricity that was used in the drying process.

In its response to the complaint, Lloyds accepted it had caused some delays, and offered Mr B £125 compensation for the impact of those delays. But it also said it had given Mr B the option to cash settle or use its own contractors since March 2024. It said whilst he'd disagreed with the settlement amount he hadn't provided evidence or details of why he felt the contractors' schedule of works was incorrect.

Lloyds also said it had agreed to consider the replacement boiler costs and was awaiting a reply from the company regarding the estimate. And it said if Mr B had confirmation from an independent expert that the home wasn't habitable, he should send this to Lloyds and it

would review it and consider the expert's findings.

Mr B didn't accept Lloyds' response to the complaint. So he contacted the Financial Ombudsman Service for an independent review. Our Investigator considered the complaint, but didn't think it should be upheld. He said we wouldn't ordinarily consider a property uninhabitable if it had cooking and bathing facilities and that the delay in reinstating the property was in part due to the March 2024 offer not being accepted, which had meant the property had understandably deteriorated further.

Mr B didn't agree with our Investigator's conclusions, and said he'd need to gather additional evidence. He asked that an Ombudsman review the matter, so the complaint has now been referred 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.

As this is an informal service, I'm not going to respond here to every point raised or comment on every piece of evidence Mr B and Lloyds have provided. Instead, I've focused on those I consider to be key or central to the issues in dispute. But I would like to reassure both parties that I have considered everything submitted. And having done so, I'm not upholding this complaint. I'll explain why.

The insurance industry regulator, the Financial Conduct Authority (FCA), has set out rules and guidance about how insurers should handle claims. These are contained in the 'Insurance: Conduct of Business Sourcebook' (ICOBS). ICOBS 8.1 says an insurer must handle claims promptly and fairly; provide reasonable guidance to help a policyholder make a claim and give appropriate information on its progress; and not unreasonably reject a claim. It should also settle claims promptly once settlement terms are agreed. I've kept this in mind while considering this complaint together with what I consider to be fair and reasonable in all the circumstances.

One of the key issues in this complaint, as Mr B has said in response to our Investigator's opinion, is that the schedule of works couldn't be agreed. He said Lloyds never had a surveyor visit the property and that he told Lloyds he had no interest in arranging repairs himself and had always maintained he wanted the insurer to carry out the repair work.

I've looked at the scope of works and I've compared this with the evidence I have regarding the damage to the property. This includes the information Mr B has provided, as well as the photos and reports I've received. But I haven't been provided with compelling evidence that the schedule is incomplete, and based on what I've seen it appears reasonable given the extent of the damage to Mr B's home.

The terms of the policy say, "We will not pay more than the cost to us (after any discount available from our approved suppliers) of repairing or rebuilding the buildings". And it's usual industry practice for an insurer to offer a cash settlement which reflects how much it would cost for the insurer to have the works carried out by its own contractors. This will typically be less than it would cost a customer to arrange works themselves. This doesn't mean the cash offer was unreasonable. And I think if Mr B wanted Lloyds to arrange to have the work carried out by its contractors, he had the opportunity to tell it to do so in March 2024.

Mr B said in August 2025 that he was engaging with an expert for an opinion on whether the house was habitable. I haven't received anything from an expert in that regard, so I've based my decision on our usual approach, which is that a property is normally considered habitable

if it has cooking and washing facilities and is safe to live in. My understanding is that whilst the property did have cooking and bathing facilities – Mr B didn't consider it safe to live in.

As I can see from an email dated 5 September 2024, Mr B told his loss assessor that he and his wife had decided to move out of the property. They weren't prepared to face another winter without central heating, and the smell from the damp was becoming increasingly unpleasant. Having windows open also wasn't an option throughout the autumn months. I think it's understandable why Mr B had to move into rental accommodation – but considering the timeline of events, the offer to repair the property was put forward in March 2024, around six months before Mr B made the decision to move out. I've seen emails from May 2024 in which Lloyds has told Mr B's loss assessor that it hadn't yet received a decision on whether Mr B wanted to use their contractors or take the cash settlement. And as I've not seen evidence as to why the scope of works was considered unreasonable, I'm afraid I can't agree that Lloyds was responsible for Mr B having to move out of his home, and incurring alternative accommodation costs.

I've thought carefully about Mr B's circumstances and can understand how difficult it would've been to live in the property – particularly for his wife who was vulnerable as a cancer survivor – but from what I've seen it's likely the condition of the property deteriorated substantially during the six months following March 2024. So the issues that led to Mr B and his wife having to move out, weren't solely the fault of Lloyds in my view, and could have been put right before the property became harder to live in.

Ultimately, I think it was reasonable for Lloyds, in its final response letter, to request an independent report as to the habitability of the property, for its further consideration. And it's not unusual for a disturbance allowance to be paid in instances where consumers stay in their home and live in more challenging circumstances, so I think it was fair for Lloyds to offer this.

In relation to the electricity costs, I can't see that Mr B has provided evidence that he incurred additional costs during the drying process or that anything was sent to Lloyds for its consideration. If Mr B has evidence of a significant increase in his electricity usage while the property was being dried, he should submit this evidence to Lloyds and I'd expect Lloyds to fairly consider it.

Regarding the boiler replacement, I've seen the report Mr B has provided which indicates that the boiler was water damaged. And as Lloyds confirmed it would consider replacement costs once these were received, I think that was a fair and reasonable way forward.

Overall, as I don't consider Lloyds to have caused the issues being complained of – for example, regarding delays, at times it was waiting several weeks for a reply from Mr B's loss adjuster – I can't say that the £125 compensation it's offered is unreasonable. And I think considering the timeline of events, this level of compensation is similar to what I would've awarded had no offer been made in this case.

If Mr B obtains the evidence he's referred to, such as evidence of the scope of works being incomplete, then he can approach Lloyds with this in the first instance and I'd expect Lloyds to fairly consider it.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 February 2026.

Ifrah Malik  
**Ombudsman**