

The complaint

Mrs M complains about the cash settlement Liverpool Victoria Insurance Company Limited (LV) paid her under a buildings insurance policy.

Mrs M has been represented on this complaint. But for ease of reference, I shall refer to anything that Mrs M's representative said on Mrs M's behalf, to have been said by Mrs M.

Similarly, LV has also been represented on the claim by its agents. And at points, I've referred to the actions of LV's agents as being its own.

What happened

Mrs M had a buildings insurance policy with LV. In January 2025, she made a claim for damage caused by an escape of water (EOW).

LV instructed one of its network contractors, that I'll refer to as W, to review the damage and prepare a schedule of works (SOW).

Because Mrs M didn't want to use W to complete the insured works, LV agreed to pay her a cash settlement. But this was based on the amount W quoted LV for the works. LV offered two initial cash settlement amounts in February 2025, following which Mrs M complained, because she was unhappy with the amount offered.

LV issued a complaint response in March 2025. It maintained the cash settlement would be limited to what it would have paid W to have the required works carried out. And it was still willing to have W carry out the works if Mrs M agreed to this.

Following this, LV made a final cash settlement offer of £5,247.33 (without VAT), based on an agreed and amended SOW. I understand this was later paid. LV said it would pay the VAT on receipt of a valid VAT invoice.

Mrs M referred her complaint to the Financial Ombudsman Service. She said LV's cash settlement fell short of the current market rates for a good contractor to carry out the required works. She'd obtained her own quote for the work, totalling £8,710.28 plus VAT.

The Investigator didn't uphold the complaint. They said LV acted fairly in paying a cash settlement in line with the policy terms. They also said it wasn't unfair for LV to withhold payment of the VAT. And because Mrs M raised The Consumer Duty, the Investigator said it wasn't material to the complaint.

Mrs M didn't agree. She said LV's decision to rely on the same contractor that was to carry out the works, without any independent review of the price quoted, amounted to a breach of LV's regulatory duties.

Because the complaint couldn't be resolved, it's been 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.

The rules which govern our Service require me to take into account relevant considerations, such as the relevant principles and what I consider to be good industry practice. My overriding remit under the rules is to make an independent and impartial decision based on what I think is fair and reasonable to both parties in the circumstances.

Mrs M said the content of the SOW was agreed following discussions and additions. So I don't think there's a dispute over the work that is required. I've also not seen evidence to persuade me the SOW LV relied on, in reaching its final cash settlement offer, was unfair. I understand Mrs M's complaint is that it's unfair for LV to rely on the price quoted by W, for the agreed SOW. I've considered this below.

I've first reviewed the policy terms. Under "How we settle your claim" and under "preferred suppliers" it says:

"When settling your claim, we will look to repair or replace lost or damaged property.... We have developed a network of contractors ...Where we can, we will offer to repair or replace through one of our network of contractors If you would prefer to use your own tradesman or supplier we can pay you a cash settlement. The cash settlement will not exceed the amount we would have paid our preferred supplier...."

This isn't an unusual term in buildings insurance policies, and we don't consider it unreasonable as insurers have preferential arrangements in place with suppliers to keep claim costs down. LV told Mrs M it was willing to have W complete the remedial work. I understand Mrs M's reasons for not wanting to use W. But with the above in mind, I don't think it's unreasonable for LV to base its cash settlement on what it would have cost for W to complete the works.

Mrs M referred to The Consumer Duty. LV is required to - amongst other requirements – ensure it treats Mrs M fairly, delivers a good outcome and avoids causing her foreseeable harm. This is also to be considered in conjunction with its requirements under the contract of insurance – i.e. it must have consideration of ICOBs and Consumer Duty when fulfilling its requirements under the contract. But I don't think the regulations prevent LV from exercising its right under the insurance contract in the specific circumstances of this complaint. The policy terms don't require LV to arrange any independent review of the cost quoted by its supplier, so I don't consider this was something LV was required to do. Overall, I'm not persuaded LV acted unfairly in paying a cash settlement in line with the policy terms.

Mrs M said LV hadn't provided a copy of W's priced SOW. But because the detailed pricing is likely to be commercially sensitive, this isn't something I consider LV is required to do. But I've reviewed the priced SOW, and I've not seen anything to persuade me it was unfair for LV to rely on the SOW and cost quoted by W.

LV has said it would pay the VAT element of its cash settlement on receipt of a valid VAT invoice. Our Service generally considers it fair for an insurer not to include VAT in the settlement. But we would expect an insurer to pay the VAT added on to any insured work once the consumer has shown they've paid it (subject to the limits of the cash settlement, under the terms). So with this in mind, I don't think LV has acted unfairly.

My final decision

For the reasons outlined above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 11 February 2026.

Monjur Alam
Ombudsman