

## The complaint

Ms H is unhappy with the amount U K Insurance Limited (“UKI”) – who is ultimately responsible for complaints about Direct Line policies – has offered her in settlement of a buildings insurance claim.

## What happened

Ms H told us there was a slow leak under the bathtub in 2023 which she had repaired. It started leaking again so she had it repaired again. After the second repair it seemed everything was fine but a few months later there was a leak behind the toilet and that’s when she noticed there was a bigger underlying problem. She contacted local contractors to deal with the problem – including fixing the leak.

Ms H contacted UKI on 31 July 2024 to make a claim on her buildings insurance policy for damage caused by an escape of water. UKI appointed a loss adjuster to inspect the damage.

The loss adjuster visited the property on 1 August 2024 and later reported to UKI that over the past 12 months there had been various leaks and it wasn’t possible to determine which leaks caused which area of damage. They also said Ms H appointed a plumber to address the repairs and the area had been stripped out. The loss adjuster said they’d been unable to assess the damage resulting from the escape of water as the walls had already been replastered and Ms H was undertaking renovation work on the property.

Another loss adjuster attended the property on 20 August 2024. He calculated the repair costs as:

Kitchen/lounge	£1,341.62
Bathroom	£1,654.00
Sundry (eg cleaning, protecting surfaces)	<u>£ 289.05</u>
	£3,284.67
VAT	<u>£ 656.93</u>
	<b>£3,941.60</b>

UKI has offered Ms H £3,941.60 less the £450 policy excess (so £3,491.60 in total) in settlement of the claim. It’s confirmed to me that no payment has been paid to Ms H yet. Ms H was unhappy with the offer as she felt it was too low. UKI looked into things but maintained its position.

Our investigator didn’t think the complaint should be upheld. In summary, he felt UKI’s offer was fair as it was based on a full scope of works on what it believed was damaged as part of this leak and the cost to it of repairing that damage. Ms H disagreed with our investigator’s conclusion and she asked for an ombudsman to review things.

## 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.

In response to our investigator Ms H said UKI was in breach of the policy terms and conditions as it didn't offer her alternative accommodation while the repair work in her bathroom was carried out. This complaint only concerns the amount UKI offered in settlement of the repair part of the claim. I can't decide any complaint point that UKI hasn't yet been given an opportunity to resolve – and I can't see that Ms H has formally complained to UKI about it not providing her with alternative accommodation. I haven't therefore considered this issue. If Ms H wishes to pursue this point further she will need to formally complain to UKI in the first instance.

Amongst other things, Ms H's policy covers the cost of repairing damage to her home caused by an escape of water from fixed water or heating installations. In settling a claim, the policy says UKI will either repair or rebuild the damage using its suppliers, pay to repair or rebuild the damage using Ms H's suppliers or make a cash payment to Ms H. It goes on to say that if UKI can repair or rebuild the damage but it agrees to use Ms H's suppliers or makes a cash payment it will only pay what it would have cost UKI using its suppliers.

These terms are found in all buildings insurance policies that I'm aware of. The effect of them is that it's *the insurer's* decision on how a claim should be settled – the consumer doesn't have any *contractual* right to decide this.

However, it's the consumer's home so ultimately the consumer can force an insurer's hand by, for example, refusing access to the insurer's suppliers and/or insisting on a cash settlement. But that doesn't mean the terms of the policy don't apply. In these circumstances, as the policyholder is essentially denying the insurer its contractual right to decide how to settle the claim, we think it's fair for insurers to base the settlement on how much it would have cost it to settle the claim had it used its suppliers. And the cost to the insurer will usually be far less than the cost to the consumer because insurers often agree preferential parts and labour rates with its suppliers. Sometimes the negotiated discounts are substantial.

With that in mind, if Ms H wanted to start the repairs before contacting UKI to make a claim and before UKI was able to properly assess the damage that was her prerogative. She's told us her reasons for doing that – namely health problems, which meant she needed to get tradesmen in urgently to repair the bathroom and kitchen. However, proceeding as she did denied UKI its contractual right to use its suppliers to repair the damage. Ms H has told us repairs were urgent and she couldn't wait for UKI's contractors. I don't find that argument persuasive because Ms H had already made the decision to appoint her own contractors and to start repairs before she'd even contacted UKI.

I've seen a copy of the fully costed scope of works (which is more detailed than the scope of works Ms H has). I'm not able to disclose that here because it contains commercially sensitive information – namely details of UKI's agreed preferential rates. I can nevertheless confirm that I've reviewed it and I'm satisfied the costs are most likely what UKI would have paid for the repairs had they not already been started. With that in mind, I'm satisfied that UKI's offer was fair as it was equivalent to the amount it would have cost it using its suppliers to carry out the repair.

However, I don't think it was fair for UKI to have not sent payment to Ms H. Even if the settlement was in dispute, I think it would have been fair for the settlement to have been paid to Ms H promptly. This would have meant she would have had the money available to use. As the settlement wasn't paid, I think it's fair for UKI to add interest to the payment.

**My final decision**

I uphold this complaint. I require U K Insurance Limited to pay Ms H £3,491.60, plus interest at a rate of 8% simple calculated from the date of the claim.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 16 March 2026.

Paul Daniel  
**Ombudsman**